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40TH ANNUAL

CONSUMER EXPENDITURES STUDY

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UNUM
ONE DOLLA

How Convenience, Service and Nonfoods Pushed Grocery Sales to $279.6 Billion

Perishables: Up [illegible]7%,
On Sales of $130 Billion

Service Deli: Up 13.5%,
On Sales of $6.62 Billion

Service Bakery: Up 6.3%,
On Sales of $4.4 Billion

HBA: Up 4.9%,
On Sales of $10.8 Billion

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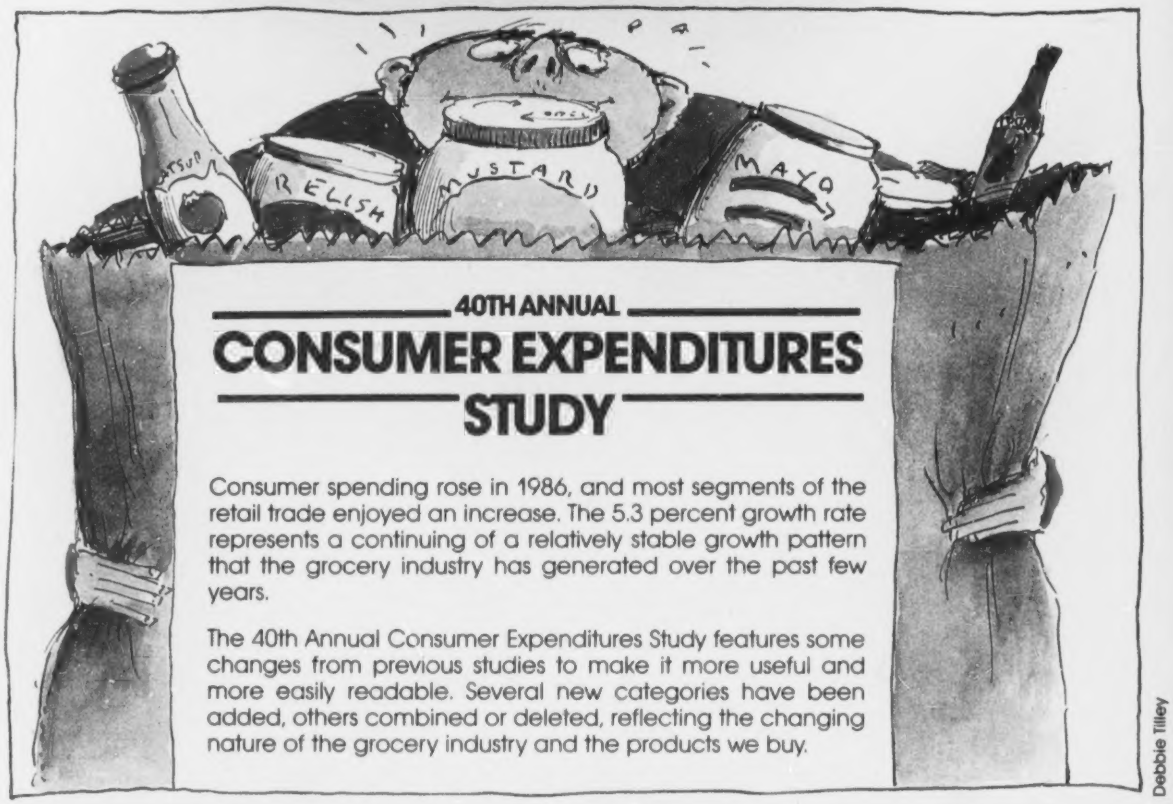

40TH ANNUAL

CONSUMER EXPENDITURES STUDY

Consumer spending rose in 1986, and most segments of the retail trade enjoyed an increase. The 5.3 percent growth rate represents a continuing of a relatively stable growth pattern that the grocery industry has generated over the past few years.

The 40th Annual Consumer Expenditures Study features some changes from previous studies to make it more useful and more easily readable. Several new categories have been added, others combined or deleted, reflecting the changing nature of the grocery industry and the products we buy.

Debbie Tilley

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TRACKING CONSUMER SPENDING TRENDS: THE KEY TO SUCCESS IN THE SUPERMARKET INDUSTRY

BY DAVID LITWAK, DIRECTOR OF RESEARCH

Grocery store sales rose 5.3 percent in 1986 continuing the relatively stable growth pattern of the past few years.

Nobody ever said that the grocery industry was easy to understand, or at least nobody in the industry has said it. Looking back at 1986, one thing is crystal clear: nobody is likely to say that 1986 was easy to understand, either.

It was the kind of a year when some trends in the industry moved ahead in a nice straight line, while others veered to the right, some reversed themselves or halted dead in their tracks. Some facets of the industry didn't move at all. The direction and movement of any of the divergent trends within the grocery business have one common impetus: they are driven by consumer spending. Perhaps no other industry is as dependent on the day-to-day flow of cash from the average consumer as the grocery business. Each new store involves an investment of millions of dollars, all to sell products that consumers buy on a monthly, weekly or daily basis, producing an average sales transaction of less than $20.

In an industry that caters to relatively small repetitive consumer purchases, where an entire inventory may turn over 15 or so times a year, and a large part of the stock can go bad overnight, it is no surprise that every nuance of consumer spending is closely studied.

Spending rose

Consumer spending rose in 1986, and the increase was enjoyed by most segments of retail trade. There is no better example of how closely the grocery industry is tied to trends in consumer spending than in the growth of retail sales. Total retail sales across all retail trade rose 5.2 percent, to over $1.4 trillion; grocery store sales rose 5.3 percent to $279.6 billion in 1986.

The 5.3 percent growth rate represents a continuing of a relatively stable growth pattern that the grocery industry has generated over the past few years (sales rose 4.7 percent in 1985 and 5.1 percent in 1984). In an industry the size of the grocery industry, an increase of even 5.3 percent represents a gain of almost $14 billion.

With retail prices rising an average of 2.9 percent last year, there was an actual volume increase in sales of 2.4 percent, which is somewhat smaller than the 3.3 percent volume gain in 1985. At the same time, the Gross National Product (GNP) was increasing by 2.5 percent in those same real dollars. The U.S. population increased only by about one percent last year, which was a slower rate than in previous years.

It almost seems too coincidental that the grocery industry should increase at precisely the same rate as total retail spending and at the same real dollar rate as the GNP, but the ties between the increase figures are real enough. Grocery spending accounts for 19.3 percent of all retail spending in the United States, and even though it is second to motor vehicles in terms of total sales, it is more reflective of the constant changes in soci-

CONSUMER EXPENDITURES STUDY

Grocery spending now accounts for 19.3 percent of all retail spending in the United States.

ety at any given time, due to the nature of the industry's purchase and pricing cycles. The relative impact of price changes on grocery sales is less than for other segments of retail trade, such as motor vehicles or gasoline, due to the lower prices of grocery products and sheer quantity of the array of products that make up grocery inventories.

The healthiest segment

The growth rate of the grocery industry was healthier relative to 1985's than those of many other retail trades, especially those that produce large annual sales. Motor vehicles, the largest retail industry, grew by 7.9 percent in 1986, but this was down from the 12.9 percent rate of 1985. Similiar, although smaller, declines in growth rate were seen in general merchandise stores, gasoline stations (which declined in sales), and other retail stores.

Among the larger retail trades only eating and drinking places had a significant increase in growth rate (8.1 percent in 1986 versus 5.6 percent in 1985). The growth rate of 5.3 percent for the grocery industry puts it right on target with personal income growth—in 1986, the amount of disposable personal income grew 5.6 percent. This indicates that despite whether or not other retail segments are getting more or less of this disposable income relative to the grocery industry, the grocery industry is getting its fair share of the extra money consumers found in their pockets in 1986.

In 1986, the grocery industry was dominated by two distinct segments, the supermarket and the convenience store. Once, the industry had at least 5 discernable segments: the specialty food store, the small "neighborhood" grocery store that had sales of under half a million dollars, the slightly larger store with sales up to $1 million, the superette (sales of $1-$2 million), and the

Continued on page 237

METHODOLOGY

The 40th Annual Consumer Expenditures Study (CES) represents a consorted effort of individuals and firms from all facets of the food retailing industry. Drawing on the methodological tradition of 39 prior studies, the 40th annual study has brought together literally hundreds of sources, from companies that are household names, to those that are acknowledged as leaders within a specific segment of our industry.

The content of the CES is derived from input into each of the 700-plus categories by the leading manufacturers, processors, packers, and marketers of those categories. Additional information on each category is gathered from management companies, advertising agencies, government agencies, market research firms, trade associations and, of course, wholesalers and retailers of the products.

The methodology used is varied, ranging from the tried-and-true methods of mail and telephone surveys, to old-fashioned book research into secondary sources, to the use of scanning data.

Initially, respondents in each category are sent a questionnaire about that category. Respondents to our questionnaires were supplied with sales estimates from the 39th Annual CES (1985) for the product lines in which they specialize. We asked them to indicate the percent change in retail sales for these products in all outlets and through grocery stores alone. It should be stressed that we asked them to supply industry-wide figures, and not their own sales figures. They also had the option to adjust previous sales figures according to their knowledge of the market.

Once these responses had been recorded, they were verified by referring to any number of secondary sources, and retail scanning data. Wherever possible, each number was cross-checked, even if the response came from a marketer who had a 75 percent share of a particular category.

The result of all this is the consolidation of information into one set of numbers that represents the percentage change in the total domestic, grocery, and supermarket sales from 1985 to 1986 that is then applied to the 1985 base figure or, if situations warrant, a revised 1985 base figure.

The 1986 CES contains 13 categories that were not previously broken out in our annual studies. These represent changes in the marketplace that we've incorporated into the study. Figures for these new categories were, in most cases, included in miscellaneous or "other" categories. In order to reflect accurately the changes in the new categories, and the store departments from which they are drawn, it was necessary to revise some of the previously published 1985 figures to include that year's sales in these categories. Wherever the 1985 sales of a category or department have been revised a footnote appears explaining the revision.

OUR DEFINITIONS OF GROCERY STORES

Some of the following terms are referred to in this report. To assist interpretations of our findings, they are listed below:

Supermarket: Complete, full-line self-service and partially service food markets, with a minimum of $2 million per year.

Superette: Self-service or service food store handling groceries, meats and produce, with annual sales of $1 million to $2 million.

Convenience Store: Small food stores, usually open extended hours and selling a limited line of fast-moving items.

Specialty Stores: Stores whose primary line may be meat, dairy, produce, drug or GM.

All Other Food Stores: Small (less than $1 million annual sales) general food stores, or food stores not classified above.

Chain: An operation of eleven or more food retailing stores, regardless of individual dollar volume.

CONSUMER EXPENDITURES STUDY

THE MICROWAVE AS METAPHOR: CONSUMERS WANT QUALITY AND VARIETY, BUT MOST OF ALL CONVENIENCE

The 40th Annual Consumer Expenditures Study points to a people racing through the day, looking for ways to save and savor minutes from breakfast to bedtime.

BY CAROL FENSHOLT, ASSOCIATE PUBLISHER

If we are what we eat (and otherwise consume), we're indeed an ever more fast-paced society.

We're also one with growing interest in the quality of the options—culinary and otherwise— that we do manage to fit in among our many obligations.

This year's Consumer Expenditures Study (CES) is a freeze-frame photo proving that. As an indicator, the CES points to a people racing around faster and faster, looking for—and finding— more ways to both save and savor precious minutes from breakfast to bedtime.

How else to explain 1986's $110 million food store growth in microwave cookware? Its 25.6 percent one-year growth makes microwave cookware the biggest percentage gainer of all general merchandise products, excepting only blank video cassettes (see table "Largest Volume Increases In Dollar Sales," page 100.)

The ability of the microwave to compress meal preparation time, coupled with the considerable energy required just to get up every day and rush off to work, may be why breakfast seems to be making a comeback: frozen french toast/frozen pancakes were among the fastest-growing frozen food items of 1986, up 23.6 percent to $58.8 million. Other frozen breakfast products (that is, everything excluding frozen french toast and pancakes) were not only a bigger total business, but were up even more: this category posted a 24.5 percent increase, to $116 million.

As for top-of-the-charts growth, the Number One spot is occupied by service deli, which posted a $784 million sales increase in just one year.

Time-savers

Clearly, the time-saving advantages of quality prepared meals, sandwiches and snacks like fresh pizza and prepared pasta sauces are far from lost on today's busy consumer.

Certainly, after fighting rush-hour traffic to get home, today's consumer may well be in the mood to chop *something* . . . but for more and more, it isn't vegetables . . . especially when they can buy their veggies already made into a salad.

Refrigerated salads, relative newcomers to the supermarket case, have already done well enough to earn the Number 18 spot on our list of the Top 20 "Largest Percentage Increases In Dollar Sales." Though refrigerated salads do just over $7 million, that volume represents a 20.6 percent increase over the previous year.

But if today's consumers have a paucity of time, they also seem to have an ever-pickier palate, reflected in a taste for freshness and quality.

Fresh seafood (up 15.3 percent) and fresh poultry (up 4.6 percent) both made the Top 15 "Largest Volume Increases In Dollar Sales" list.

So did fresh beef. Though its increase was a bare 0.8 percent, the rise represents a breakthrough turnaround after several years of continuous decline.

And the 1986 increase of $259 million (or 6.3 percent) for instore bakery clearly says: "Why go to the grocery shelf for a package that we perceive to be full of preservatives and empty of flavor when we can go to a real bakery for hot, crusty bread made fresh today?"

But certain traditional favorites are doing well, too. To get consumers off and running to the supermarket for all the new prepared foods to put in their new microwave cookware, the kick-start they get from caffeine is more important than ever ... as the Number Two dollar increase line shows: Regular coffee sales were up $665 million, or 19.7 percent.

And if there's any caffeine- or otherwise-induced energy left over, what does today's consumer do with it?

Not housework, apparently. *The New York Times* reported in August that the average U.S. house is four times dirtier than it was just a decade ago now that the American woman has traded her dustmop in for a desk job.

Indeed, among last year's biggest losers were liquid starch and dry low-sudsing detergents (down 6.9 percent and 3.6 percent, respectively—see "Categories That Decreased In Sales," page 100). According to *The New York Times*, these indicators just might be the tip of a fast-melting iceberg, when it comes to the future of products for cleaning the house.

Also distinct downers were anything apparently having to do with extra effort in the kitchen . . . like baking. Lard dropped 11.4 percent (though maybe for cholesterol reasons, too). Shortening was down 8.3 percent. Sugar was down 2.9 percent.

Distinct "uppers," on the other hand, are products that have to do with relaxation . . . or at least that give the *feeling* of relaxation in an ever-more hurried life.

Beer and cigarettes, for example, were the Number Three and Number Four dollar volume gainers after service deli and regular coffee. Beer posted an increase of $597 million (up 19.7 percent); while cigarettes posted a $443 million growth (up 4.4 percent).

And while consumers were quaffing their beers and puffing their cigarettes, what else were they doing with this time out? For one thing, watching their own little silver screens—video cassette rentals were a $240 million business for grocery stores in 1986, which was a 22.3 percent increase over the previous year.

Or, perhaps consumers were making or taping their own home movies— blank video cassettes, though a smaller dollar business, were an even bigger growth product: blank video cassettes, at $58 million in 1986, were up 28.3 percent.

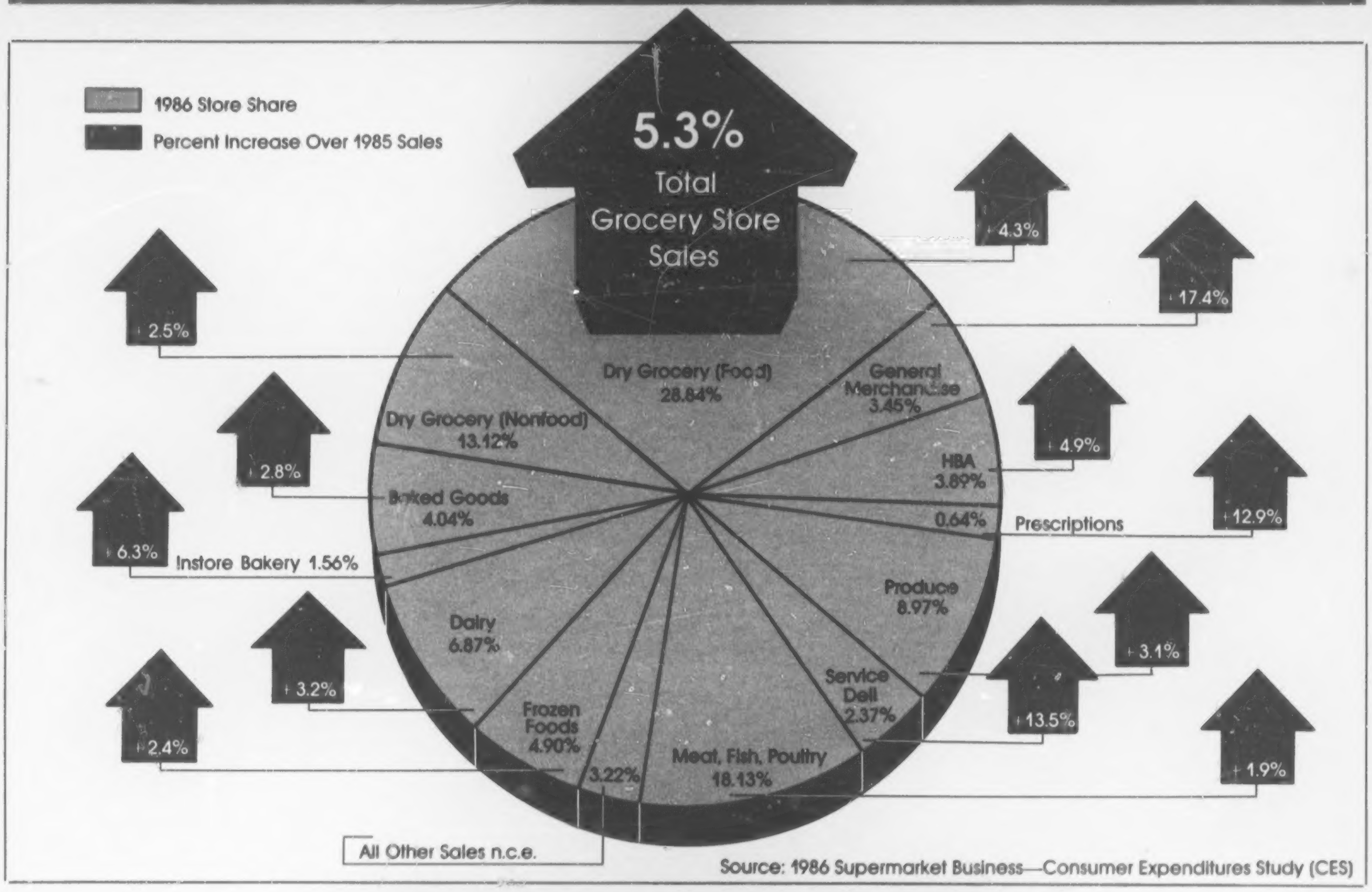
To avoid missing something on those cassettes, more and more consumers are clearly turning to contact lenses because this year's CES reports a 37.6 percent increase in contact lens care products. That, in fact, is the single largest health and beauty aids (HBA) increase in food stores.

However, it's closely paced by home pregnancy tests, up 36.2 percent to $16.8 million in grocery stores for 1986. Apparently, the new baby boom is being more and more assiduously monitored by its progenitors.

Finally, when all this activity winds down at the end of the day, guess what HBA product helps today's consumer drop off to sleep?

Believe it or not, it's the old-fashioned bubble bath, up a whopping 29.3 percent to $24.6 million in 1986 . . . and, when all is said and done, a rather high quality way to end a hectic day. ■

HIGHLIGHTS



Source: 1986 Supermarket Business—Consumer Expenditures Study (CES)

The strongest growth among the store departments last year came from service deli and bakeries and nonfoods departments, areas of the supermarket that are still being refined and adjusted. The growing number of combination stores, those with instore pharmacies, accounts for the increase in prescriptions, while general merchandise is being promoted by an increasing number of supermarket retailers.

Each department's contribution to total store sales remained virtually the same as in 1985, but all had sales increases. Food prices didn't rise that much, so the increase in total grocery store sales is a good sign of a healthy industry.

WEEKLY SPENDING IN GROCERY STORES REACHES $60.78 PER HOUSEHOLD, $22.32 PER CAPITA

	1986		1985	
POPULATION	240.9 million		238.4 million	
HOUSEHOLDS	88.5 million		86.8 million	
	ANNUAL	**WEEK**	**ANNUAL**	**WEEK**
PERISHABLES				
Per capita	$ 543.70	$10.45	$ 529.58	$10.18
Per household	$1,480.41	$28.47	$1,454.52	$27.97
DRY GROCERY (FOOD)				
Per capita	$ 334.77	$ 6.44	$ 324.24	$ 6.24
Per household	$ 911.51	$17.53	$ 890.52	$17.13
TOTAL FOODS				
Per capita	$ 878.47	$16.89	$ 853.82	$16.42
Per household	$2,391.92	$46.00	$2,345.04	$45.10
DRY GROCERY (NONFOOD)				
Per capita	$ 152.29	$ 2.93	$ 149.97	$ 2.88
Per household	$ 414.67	$ 7.97	$ 411.91	$ 7.92
GENERAL MERCHANDISE/HBA				
Per capita	$ 91.58	$ 1.76	$ 86.91	$ 1.67
Per household	$ 249.37	$ 4.80	$ 238.70	$ 4.59
GRAND TOTAL*				
Per capita	$1,160.77	$22.32	$1,114.21	$21.43
Per household	$3,160.57	$60.78	$3,060.22	$58.85

NOTE: Population and household data from U.S. Bureau of the Census, includes one-person households. Excludes armed forces overseas. Sales figures from 1986 C.E.S.

*Total includes merchandise sale not classified above

Grocery spending for the average American household has not risen significantly in the last two years. Grocery expenditures have remained around the $60-a-week level per household, thanks to stable retail prices.

HOW AN AVERAGE HOUSEHOLD DOLES OUT ITS DOLLARS IN GROCERY STORES EACH WEEK

	1986	1985*	CHANGE
PERISHABLES			
Baked goods	$ 2.46	$ 2.41	+ 1.8%
Dairy	4.19	4.12	+ 1.4
Frozen foods	2.98	2.87	+ 3.8
Fresh meat and provisions	8.73	8.84	− 1.4
Fresh fish	0.68	0.60	+ 13.5
Fresh poultry	1.58	1.57	+ 0.1
Produce	5.46	5.33	+ 2.3
Instore bakery	0.95	0.91	+ 4.4
Instore deli	1.44	1.29	+ 11.7
Total	**$28.47**	**$27.97**	**+ 1.8%**
DRY GROCERY (FOOD)			
Beer	$ 2.95	$ 2.87	+ 2.9%
Wine, liquor, coolers	.66	1.00	− 33.7
Baby food	.38	.38	—
Breakfast foods	1.22	1.16	+ 5.3
Candy and chewing gum	.69	.68	+ 1.0
Canned foods			
Fruits	.34	.33	+ 3.2
Juices and drinks	.74	.72	+ 3.0
Meat and poultry	.32	.34	− 5.3
Milk	.09	.09	—
Seafood & fish	.41	.40	+ 1.8
Soups	.41	.45	− 9.5
Vegetables	.65	.67	− 3.0
Prepared Drinks	1.77	1.64	+ 8.2
Dried foods	.54	.52	+ 4.0
Jams, jellies and preserves	.41	.41	—
Macaroni, spaghetti, noodles	.22	.21	+ 1.0
Desserts	.13	.13	—
Soft drinks	1.53	1.49	+ 2.4
Sugar	.32	.33	− 4.2
Miscellaneous	3.75	2.50	+ 50.0
Total	**$17.53**	**$17.13**	**+ 2.3%**
Total Foods	**$46.00**	**$45.10**	**+ 2.0%**
DRY GROCERY (NONFOOD)			
Paper goods	$ 2.04	$ 2.02	+ 1.1%
Soaps, detergents	1.17	1.18	− 0.6
Other household supplies	1.12	1.09	+ 2.8
Pet foods	1.20	1.22	− 1.6
Tobacco products	2.44	2.38	+ 2.1
Total	**$ 7.97**	**$ 7.92**	**+ 0.6%**
GENERAL MERCHANDISE/HBA			
Health and beauty aids (nonprescription)	$ 2.36	$ 2.28	+ 3.7%
Prescriptions	.39	.35	+ 11.1
Housewares	.23	.19	+ 21.6
All other general merchandise	1.82	1.58	+ 15.2
Total	**$ 4.80**	**$ 4.59**	**+ 4.6%**
All other sales	$ 2.01	$ 1.24	+ 62.1%
GRAND TOTAL	**$60.78**	**$58.85**	**+ 3.3%**

Source: 1986 C.E.S.

While the bulk of America's grocery dollars goes to food and traditional grocery products, a growing amount is going toward the purchase of general merchandise, and HBA and drug items.

Housewares purchased in supermarkets showed a dramatic sales increase during 1986, proving that consumers are becoming more comfortable with buying housewares, as well as hardware items, audio-visual needs and electrical appliances, in groceries.

On the food side, perishables continue not only to dominate sales, but also are strong in terms of growth. Growth of service departments, and a strong showing in produce, point to an increased emphasis on fresh products. Service delis and instore bakeries have continued to grow over the last five years to the point where any new store or remodel is more likely to include these departments than not.

Service departments, both food and nonfood, in supermarkets have begun to take a toll on surrounding specialty stores offering the same products and services.

HIGHLIGHTS

CATEGORIES THAT INCREASED IN SALES IN 1986

LARGEST PERCENTAGE INCREASES IN DOLLAR SALES

RANK	CATEGORY	1986 GROCERY STORE SALES (000)	% INCREASE	% OF STORE VOLUME
1	Aseptic Packed Juice & Drink Concentrates	35,600	323.7	0.01
2	Contact Lens Care Products	54,419	37.6	0.02
3	Home Pregnancy Tests	16,800	36.2	0.01
4	Liquid Soaps	154,651	31.7	0.06
5	Other Fruit Drinks & Juices	63,533	31.6	0.02
6	Bubble Bath	24,695	29.3	0.01
7	Blank Video Cassettes	58,774	28.3	0.02
8	Fruit Rolls & Bars	250,471	26.7	0.09
9	Packaged Unpopped Popcorn	419,075	25.8	0.15
10	Microwave Cookware	110,528	25.6	0.04
11	Broad Tip Markers	7,126	25.6	0.00
12	Other Frozen Breakfast	116,418	24.6	0.04
13	Frozen French Toast, Pancakes	58,806	23.6	0.02
14	Children's Story Books	88,190	22.8	0.03
15	Video Cassette Rentals	240,000	22.3	0.09
16	Electrical Appliances	164,104	20.7	0.06
17	Aseptic Packed Juices & Drinks	398,338	20.7	0.14
18	Refrigerated Salads	7,150	20.6	0.00
19	Regular Coffee	4,043,280	19.7	1.45
20	Pepper	154,572	19.3	0.06

LARGEST VOLUME INCREASES IN DOLLAR SALES

RANK	CATEGORY	DOLLAR SALES INCREASE (000)	% INCREASE	% OF STORE VOLUME
1	Service Deli	784,597	13.5	2.37
2	Regular Coffee	665,435	19.7	1.45
3	Beer	597,219	4.6	4.86
4	Cigarettes	443,854	4.4	3.79
5	Cold Cereals	429,085	10.2	1.66
6	Fresh Fish & Other Fresh Seafood	414,580	15.3	1.12
7	Fresh Poultry	326,859	4.6	2.66
8	In Store Bakery	259,932	6.3	1.56
9	Other Fresh Vegetables	250,030	3.6	2.57
10	Bottled Sugared Soft Drinks	194,466	4.5	1.62
11	Beef	169,577	.8	7.64
12	Crackers, Cookies, Biscuits	154,941	3.8	1.51
13	Other Fresh Fruits	139,833	3.3	1.57
14	Fresh Milk	134,883	2.2	2.24
15	Packaged Cold Cuts	120,450	3.6	1.24

While relatively new products such as aseptic packed juice and drink concentrates and home pregnancy tests led the list of largest percentage increases in sales, more traditional products gained the largest dollar sales increases. Increases in such products as regular coffee, beer, cigarettes and beef may be an indication that the movement toward more "healthy" food is slowing slightly.

CATEGORIES THAT DECREASED IN SALES IN 1986

LARGEST PERCENTAGE DECREASES IN DOLLAR SALES

RANK	CATEGORY	1986 GROCERY STORE SALES (000)	% DECREASE	% OF STORE VOLUME
1	Flash Bulbs & Cubes	31,154	−18.7	0.01
2	Veal	569,521	−18.1	0.20
3	Breakfast Drinks	111,591	−16.3	0.04
4	Cereal Bars	386,198	−16.1	0.14
5	Frozen Orange Juice Concentrate	1,155,832	−15.6	0.41
6	Color Shampoo	2,549	−13.0	0.00
7	Dried Toppings	13,154	−11.9	0.00
8	Lard	53,929	−11.4	0.02
9	Frozen Oriental Dinners	188,795	−11.3	0.07
10	Frozen Grape Juice Concentrate	84,763	−11.3	0.03
11	Baby Pants	11,150	−11.0	0.00
12	Prepared Food Drinks	104,038	−10.7	0.04
13	Metered Calorie Meals	70,140	−10.1	0.03
14	Dry Milk Powder	118,985	−9.3	0.04
15	Shortening	427,327	−8.6	0.15
16	Men's Hairspray	17,507	−8.3	0.01
17	Frozen Meat	208,281	−8.3	0.07
18	Semi-Moist Cat Food	240,386	−8.0	0.09
19	Liquid Starch	11,202	−6.9	0.00
20	Semi-Moist Dog Food	191,106	−6.7	0.07

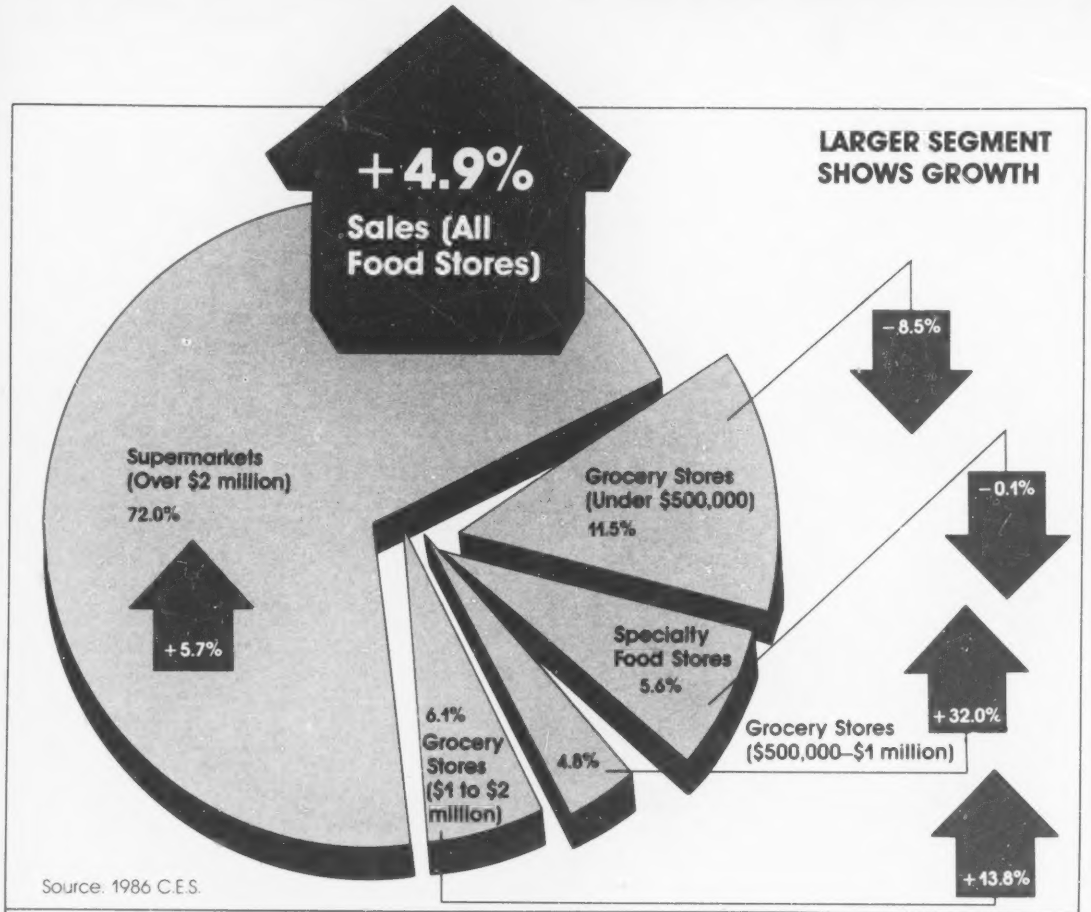
LARGEST VOLUME DECREASES IN DOLLAR SALES

RANK	CATEGORY	DOLLAR SALES DECREASE (000)	% DECREASE	% OF STORE VOLUME
1	Orange Juice, Frozen Concentrate	213,637	−15.6	0.41
2	Pork	140,171	−3.7	1.30
3	Potatoes	91,699	−4.2	0.75
4	Cured Ham & Picnics	75,974	−3.5	0.75
5	Cereal Bars	74,110	−16.1	0.14
6	Margarine	63,010	−3.9	0.56
7	Cooking & Salad Oils	54,330	−5.6	0.33
8	Powdered Drink Mixes	48,621	−6.3	0.26
9	Sugar	43,266	−2.9	0.52
10	Shortening	40,208	−8.6	0.15
11	Dry Dog Food	31,644	−1.7	0.65
12	Other Dry Low Sudsing Detergents	28,950	−3.6	0.28
13	Other Canned Meats	26,095	−4.6	0.19
14	Frozen Oriental Dinners	24,052	−11.3	0.07
15	Breakfast Drinks	21,731	−16.3	0.04

The decline in sales of frozen orange juice concentrates (along with frozen grape concentrates) shows that "fresh" is still becoming a more important aspect of grocery shopping. Despite a new promotional campaign, the pork industry has not had the success that the beef producers have had in generating renewed sales in traditionally strong meat categories.

CONSUMER·EXPENDITURES·STUDY

HIGHLIGHTS



Source: 1986 C.E.S.

1986 was a good growth year for the food industry as a whole, with sales increasing a healthy 4.9% overall. The main beneficiaries of this growth were the large and medium-sized grocery stores. Supermarkets continue to dominate the food business, while stores with sales of between $500,000 and $1,000,000 enjoyed the biggest sales gains. It is clear that the bottom end of the industry is beginning to drop out, with sales losses being felt in the under-$500,000 sales segment, and in the specialty food store segment. The reason for the sales drop in the lower end of the grocery business is that over 5,000 fewer stores had sales under $500,000 in 1986 than in 1985. Many of these stores had sales over $500,000 in 1986 and moved up a category.

FOOD STORE SALES—BY STORE VOLUME

	SALES (000)		PERCENT OF VOLUME	
	1986	1985	1986	1985
SUPERMARKETS over $2 million	$213,314,308	$201,876,520	72.0%	71.6%
SUPERETTES $1 million to $2 million	$ 18,152,150	$ 15,937,620	6.1	5.7
OTHER GROCERY STORES under $1 million*	$ 48,111,542	$ 47,812,860	16.3	16.9
Total Grocery Stores	**$279,578,000**	**$265,627,000**	**94.4**	**94.2**
Specialty Food Stores†	$ 16,559,000	$ 16,571,000	5.6	5.8
TOTAL FOOD STORES	**$296,137,000**	**$282,198,000**	**100.0%**	**100.0%**

*Includes convenience stores and other small grocery stores.
†Includes meat, seafood, fruit and vegetable markets, confectionery, bakery, dairy and other food stores.

Source: 1986 C.E.S

FOOD STORE SALES—BY AFFILIATION

	SALES (000)	PERCENT OF VOLUME
	1986	1986
Independent Grocery Stores	$120,218,540	40.68%
Chain Grocery Stores	$159,359,460	53.8
Total Grocery Stores	**$279,578,000**	**94.4**
Specialty Food Stores	$ 16,559,000	5.6
TOTAL FOOD STORES	**$296,137,000**	**100.0%**

*Chains (11 or more stores)

Source: 1986 C.E.S

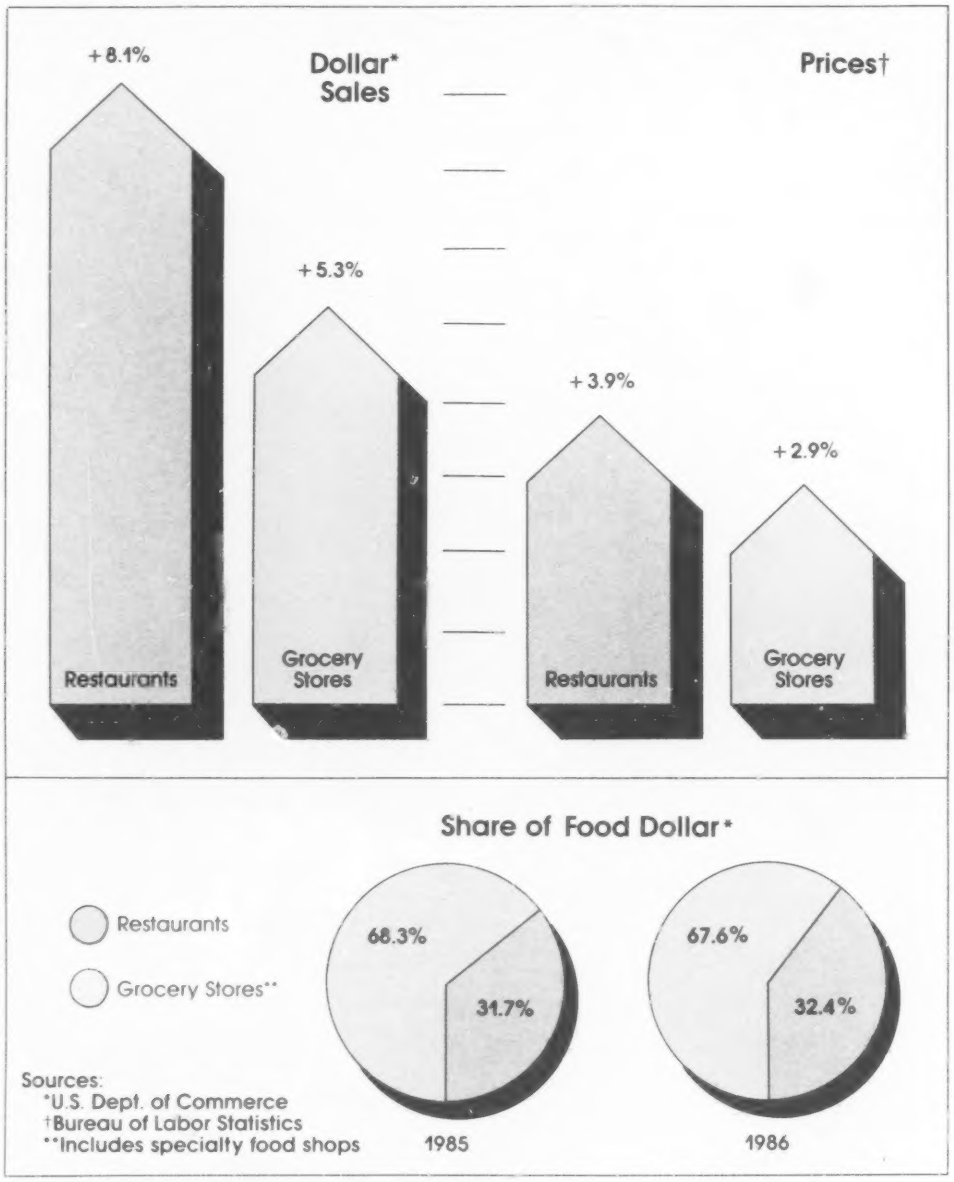
GROCERY STORE SALES TRENDS: 1986*

Number of Grocery Stores	154,400
Sales (000)	$279,578,000
Sales per store	$ 1,810,738
U.S. Population	240,856,000
"People" per store	1,560
Number of Grocery Stores	
Over $2,000,000	30,700
$1,000,000–$2,000,000	9,575
$500,000–$1,000,000	15,135
$500,000 or more	55,410
All other	98,990
Sales (000)	
Over $2,000,000	$213,314,308
$1,000,000–$2,000,000	18,152,150
$500,000–$1,000,000	14,058,480
$500,000 or more	$245,524,938
All other	$ 34,053,062
Sales per store	
Over $2,000,000	$ 6,948,349
$1,000,000–$2,000,000	$ 1,895,786
$500,000–$1,000,000	$ 928,872
$500,000 or more	$ 9,773,007
All other	$ 344,005
Chains (11 or more stores)	18,528
Total Sales (000)	$159,359,460
Sales per store	$ 8,601,007
% of Total Sales	57.0%
All other stores	135,872
Total Sales (000)	$120,218,540
Sales per store	$ 884,793
% of Total Sales	43.0%

*Grocery store sales reported by U.S. Dept. of Commerce.

HIGHLIGHTS

REPORTED GROWTH OF RESTAURANTS IS FASTER THAN GROCERIES



Sources:
*U.S. Dept. of Commerce
†Bureau of Labor Statistics
**Includes specialty food shops

It appears that in 1986 restaurants have gained more of a foothold on the nation's food dollars. Not only do restaurants have a larger share of the actual dollars than they did in 1985, but there was more real growth in sales reported through eating and drinking places than through groceries.

RANKING OF RETAIL SALES BY TRADE*

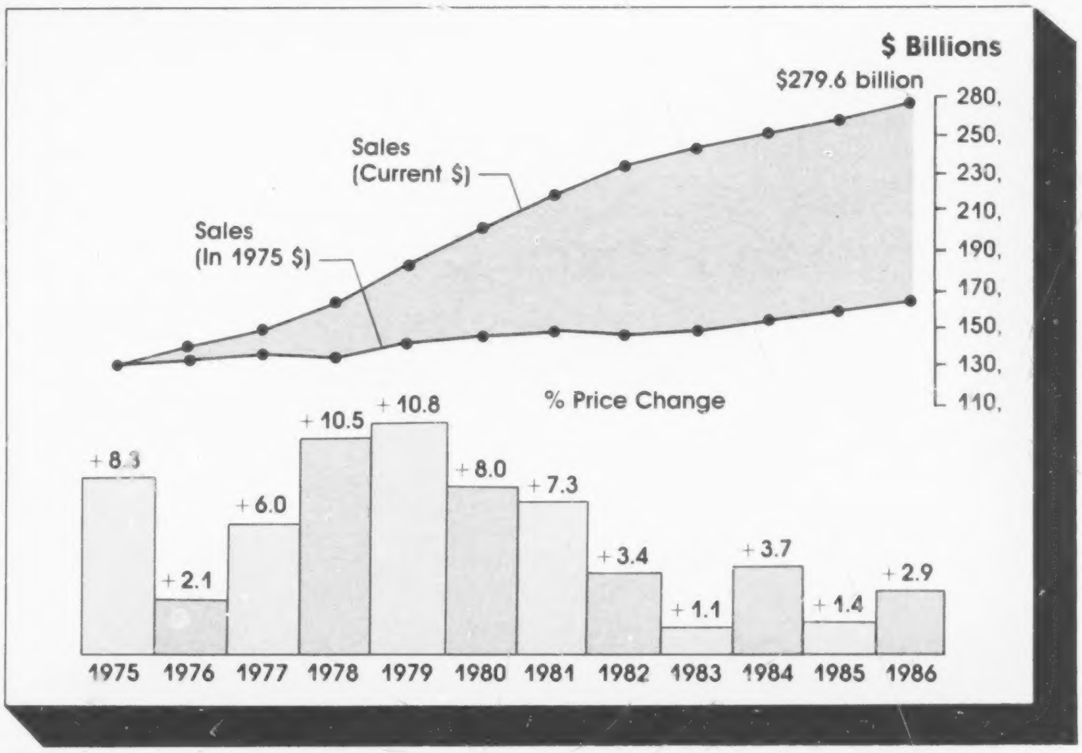
	1986 SALES (MILLION)	PERCENT OF TOTAL	CHANGE VS. 1985
ALL RETAIL STORES	**$1,445,798**	**100.0%**	**+5.2%**
Building supply, hardware stores	85,842	5.9	+15.9
Furnishings, appliances	75,516	5.2	+10.9
Eating and drinking places	141,660	9.8	+8.1
Apparel group	75,219	5.2	+8.0
Motor vehicle dealers	337,380	23.2	+7.9
Drug and proprietary stores	49,176	3.4	+6.9
Grocery Stores	**279,578**	**19.3**	**+5.3**
General merchandise group	165,489	11.5	+3.4
All other retail stores	115,506	8.0	+3.1
Specialty food stores	16,559	1.2	−0.1
Liquor stores	17,722	1.2	−0.5
Gasoline service stations	86,151	6.0	−14.5

*Source: U.S. Dept. of Commerce

Grocery stores, while the second largest class of retail trade by sales volume, did not grow as fast in 1986 as some other classes did. The relative growth rates of the different classes of retail trade showed the same inconsistencies between 1985-86 as they did in other years.

HIGHLIGHTS

LITTLE REAL SALES GROWTH SEEN



From a 1975 sales base of $129.2 billion, sales more than doubled to $279.6 billion in 1986. Making allowances for a 72.0 percent increase in prices over that time, the real—or tonnage—growth was 24.0 percent. That leaves a less-than-robust per capital growth over population increase.

CHANGES IN CONSUMER PRICE INDEX 1986-85 FOR SUPERMARKET PRODUCTS

*Source: Bureau of Labor Statistics, Consumer Price Index

	Percent Change	
	1986	1985
FOOD	**+ 3.2**	**+ 2.3**
Food away from home	+ 3.9	+ 4.0
Food at home	+ 2.9	+ 1.4
Food and beverages	+ 3.2	+ 2.3
CEREALS & BAKERY	**+ 2.8**	**+ 3.8**
Bread, white	+ 1.8	+ 2.5
Other bread	+ 2.5	+ 3.2
Cookies	+ 3.5	+ 5.4
Cakes, cupcakes	+ 2.2	+ 4.3
Flour, prepared mixes	+ 1.2	+ 3.4
FRESH BEEF & VEAL	**+ 0.6**	**− 1.2**
Sirloin steak	+ 2.6	− 2.0
Hamburger	− 1.1	− 2.6
Chuck roast	− 0.6	− 3.9
PORK	**+ 8.2**	**+ 0.2**
Chops	+ 10.9	− 1.2
Bacon	+ 7.1	+ 3.5
Sausage	+ 6.2	− 0.3
Canned ham	+ 2.6	+ 0.5
OTHER MEATS	**—**	**—**
Frankfurters	+ 2.1	+ 0.2
Bologna, liverwurst, salami	+ 3.1	+ 1.6
Beef & veal	+ 0.6	− 0.8
POULTRY	**+ 7.5**	**− 1.0**
Fresh whole chicken	+ 10.4	− 4.1
Fresh & frozen chicken parts	+ 9.5	− 3.5
Other poultry	+ 1.1	+ 7.5
FISH & SEAFOOD	**+ 9.2**	**+ 4.9**
Canned fish	+ 0.9	+ 0.2
Fresh & frozen fish and seafood	+ 13.1	+ 7.4
DAIRY PRODUCTS	**+ 0.2**	**+ 1.9**
Fresh whole milk	− 0.6	+ 1.6
Butter	+ 0.3	+ 1.1
Eggs	+ 6.9	− 16.6
Cheese	+ 0.3	+ 1.9
Ice cream & related products	+ 1.5	+ 3.3
Other dairy products	+ 3.2	+ 4.0
FRESH FRUITS & VEGETABLES	**+ 3.0**	**+ 2.6**
Apples	+ 15.5	+ 6.1
Bananas	+ 5.1	+ 2.1
Oranges	− 9.3	+ 6.5
Potatoes	− 5.3	− 12.4
Lettuce	+ 6.2	+ 10.5
Tomatoes	+ 7.4	− 1.9
PROCESSED FRUITS	**− 2.9**	**+ 4.1**
Frozen fruit & fruit juices	− 11.1	+ 5.8
Other fruit juices	− 0.4	+ 4.3
Canned & dried fruits	+ 1.4	+ 2.4
PROCESSED VEGETABLES	**− 0.2**	**+ 1.1**
Frozen vegetables	+ 0.7	+ 3.5
Cut corn & canned beans except lima	− 0.8	+ 0.1
Other canned & dried vegetables	− 0.4	+ 0.3
SUGAR & SWEETS	**+ 3.1**	**+ 2.5**
Candy & chewing gum	+ 4.4	+ 3.8
Sugar & artificial sweeteners	+ 0.1	− 0.5
Other sweets	+ 3.9	+ 3.7
FATS & OILS	**− 2.2**	**+ 2.2**
Margarine	− 2.0	+ 4.3
Other fats, oils & salad dressings	− 4.2	+ 0.7
Nondairy substitutes & peanut butter	+ 1.8	+ 3.2
BEVERAGES	**+ 5.9**	**+ 2.0**
Cola drinks except diet cola	+ 0.5	+ 1.5
Carbonated drinks including diet cola	+ 1.4	− 0.1
Other noncarbonated drinks	+ 1.4	+ 4.4
Roasted coffee	+ 30.9	+ 1.6
Freeze-dried instant coffee	+ 21.0	+ 3.7
ALCOHOLIC BEVERAGES	**+ 4.4**	**+ 2.7**
Beer & ale	+ 1.9	+ 2.5
Whiskey	+ 7.2	+ 3.3
Wine	+ 2.3	+ 1.0
OTHER PREPARED FOODS	**+ 2.6**	**+ 3.3**
Canned, packaged soup	+ 2.5	+ 4.8
Frozen prepared foods	+ 2.6	+ 4.1
Snacks	+ 3.4	+ 3.3
Seasonings, olives, pickles, relish	+ 2.4	+ 2.6
HOUSEKEEPING SUPPLIES	**+ 1.9**	**+ 3.5**
Soaps & detergents	+ 3.7	+ 4.1
Other laundry, cleaning products	+ 3.5	+ 2.9
Paper towels, napkins, tissues	− 0.3	+ 4.9
TOBACCO PRODUCTS	**+ 6.8**	**+ 5.9**
Cigarettes	+ 7.0	+ 6.0
Other tobacco products & accessories	+ 4.9	+ 4.9
HEALTH & BEAUTY AIDS	**—**	**—**
Prescriptions	+ 8.6	+ 9.4
Hair products	+ 2.7	+ 1.6
Dental & shaving products	+ 4.1	+ 4.9
Cosmetic, bath & nail products, manicure & eye makeup implements	+ 3.5	+ 3.3
Other toilet goods	+ 3.2	+ 3.5
GENERAL MERCHANDISE	**—**	**—**
Newspapers	+ 4.0	+ 4.4
Stationery & supplies	+ 1.4	+ 2.8
Magazines, books	+ 5.0	+ 7.7
Photo supplies	+ 4.1	+ 1.6
Motor oil, coolant & other products	− 21.5	+ 0.9

SUMMARY

	1986						1986 Supermarket Performance			
	1	2	3	4	5		6	7	8	9
	Value of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage Change from '85 to '86		Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin
(add 000 to all dollar figures)					Total[1]	Grocery[2]				
PERISHABLES	**$196,619,639**	**$130,945,318**	**46.84**	**67**	**3.3**	**3.7**	**$105,323,999**	**49.38**	**$27,269,642**	**25.9**
Baked Goods	17,983,408	11,296,991	4.04	63	2.7	2.8	7,866,472	3.69	1,705,415	21.7
In-Store Bakery	4,370,000	4,370,000	1.56	100	6.3	6.3	4,370,000	2.05	2,219,960	50.8
Dairy	36,662,288	19,202,394	6.87	52	2.7	3.2*	13,600,932	6.38	2,687,076	19.8
Fresh & Cured Meat, Fish & Poultry	75,024,580	50,676,984	1.81	68	1.7	1.9	40,744,295	19.10	8,189,603	20.1
Frozen Foods	18,150,276	13,701,378	4.90	75	−0.5	2.4	11,859,623	5.56	3,051,677	25.7
Produce	37,808,335	25,077,571	8.97	66	2.4	3.1	20,262,677	9.50	6,443,531	31.8
Service Deli	6,620,000	6,620,000	2.37	100	13.5	13.5	6,620,000	3.10	2,972,380	44.9
DRY GROCERY (FOOD)	**125,270,531**	**80,632,438**	**28.84**	**64**	**3.0**	**4.3**	**57,563,417**	**26.99**	**10,991,770**	**19.1**
Baby Foods	2,070,614	1,783,983	0.63	86	2.4	3.5	1,256,496	0.59	95,623	7.6
Baking Needs	2,833,279	2,577,092	0.92	91	−1.2	0.0	1,880,329	0.88	388,031	20.6
Beer, Wine & Liquor	38,294,497	16,612,565	5.94	43	1.0	4.8	9,662,593	4.53	1,544,345	16.0
Breakfast Foods	5,818,702	5,623,083	2.01	97	6.5	7.1	4,239,515	1.99	584,110	13.8
Candy & Chewing Gum	9,310,447	3,180,026	1.14	34	3.7	2.7	2,452,813	1.15	751,069	30.6
Canned & Bottled Juices & Drinks	3,970,961	3,409,958	1.22	86	4.1	3.9	2,409,272	1.13	544,149	22.6
Canned & Dry Soups	2,243,318	2,110,138	0.75	94	3.0	3.5	1,609,128	0.75	289,195	18.0
Canned Fish & Other Canned Seafood	2,122,494	1,875,395	0.67	88	3.4	3.6	1,442,647	0.68	224,137	15.5
Canned Fruits	1,807,593	1,555,446	0.56	86	3.9	4.1	1,128,233	0.53	248,901	22.1
Canned Meat & Specialty Foods	1,972,318	1,492,061	0.53	76	−2.7	−2.1	1,050,485	0.49	246,574	23.5
Canned Milk	435,285	383,784	0.14	88	−5.2	−4.6	292,443	0.14	23,980	8.2
Canned Prepared Food	1,690,140	1,566,382	0.56	93	6.8	7.2	1,241,533	0.58	282,477	22.8
Canned Vegetables	3,400,588	3,002,799	1.07	88	−1.6	−1.4	2,354,953	1.10	516,520	21.9
Condiments, Dressings, Spreads, Relishes	6,962,936	5,593,304	2.00	80	2.8	3.0	4,346,761	2.04	946,272	21.8
Desserts	657,190	575,362	0.21	88	−1.6	−2.0	441,988	0.21	98,123	22.2
Dried Foods	3,069,065	2,477,235	0.89	81	4.8	5.5	1,855,715	0.87	373,643	20.1
Fats & Shortenings	1,831,673	1,489,018	0.53	81	−6.3	−5.7	1,132,511	0.53	226,147	20.0
Jams, Jellies, Preserves	2,324,686	1,876,596	0.67	81	0.7	0.9	1,297,231	0.61	264,612	20.4
Pasta	1,376,207	999,484	0.36	73	8.9	7.4	752,611	0.35	185,142	24.6
Prepared Drinks	10,364,917	8,154,277	2.92	79	11.0	10.0	5,980,344	2.80	979,882	16.4
Snacks	7,966,061	5,100,234	1.82	64	6.8	7.9	3,305,512	1.55	764,981	23.1
Soft Drinks	12,106,425	7,029,761	2.51	58	4.3	4.6	5,822,032	2.73	1,188,023	20.4
Sweeteners, Flavors	2,641,135	2,164,455	0.77	82	−1.7	−1.7	1,608,272	0.75	225,834	14.0
Total Foods	**321,890,170**	**211,577,756**	**75.66**	**66**	**3.2**	**3.9**	**162,887,416**	**76.36**	**38,261,412**	**23.5**

HOW TO USE THESE CHARTS

1 This column shows total retail sales of a product line or category through all outlets. The value of a product is computed as if the product were sold at grocery store prices. Example: Total Retail Sales of Baked Goods $17,983,408,000.

2 This column shows the amount actually spent in grocery stores for each product line or category. Grocery stores are defined as retail outlets doing a major portion of their business in dry groceries. Example: Total Grocery Sales of Baked Goods — $11,296,991,000.

3 This column shows the percentage of the total grocery store volume that is contributed by each product line or category. Example: 4.04% of the Total Grocery Store Sales come from the sale of Baked Goods.

4 This column shows the share of the total sales of a product line or category that is sold through grocery stores. Example: 63% of the Total Sales of Baked Goods come from grocery sales.

5 These columns show the year to year increase or decrease in total and grocery sales for each product line or category. Example: Total Sales of Baked Goods rose 2.7% and Grocery Store sales of Baked Goods rose 2.8%.

6 This column shows a breakout from column 2 of the amount of sales of a product line or category coming from supermarkets. Supermarkets are defined as grocery stores with annual sales of over $2 million. Example: Supermarket Sales of Baked Goods were $7,866,472 in 1986.

7 This column shows the percentage of the total supermarket volume that is contributed by each product line or category. Example: 3.69% of the Total Supermarket Sales come from the sale of Baked Goods.

8 This column shows the difference between the cost of an item and its retail price. Example: There was a difference of $1,705,415,000 between the cost to a supermarket for Baked Goods and their retail sales in 1986.

9 This column takes the dollar margin from column 8 and expresses it as a percentage. Example: There was a difference of 21.7% between the cost of Baked Goods and their supermarket retail in 1986.

— Not available

ND — No data available

*Supermarket margins based on totals excluding Prescriptions

SUMMARY

	1986						1986 Supermarket Performance			
	1	2	3	4	5		6	7	8	9
(add 000 to all dollar figures)	Value of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores	% of Total Store	% Gro.² to Total	Percentage Change from '85 to '86 Total	Grocery	Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin
DRY GROCERY (NON-FOOD)	**$57,188,807**	**$36,691,623**	**13.12**	**64**	**2.8**	**2.5**	**$26,516,442**	**12.43**	**$4,271,386**	**16.1**
Home Canning Supplies	114,992	93,895	0.03	82	−0.4	−0.5	77,839	0.04	19,226	24.7
Laundry Supplies	1,239,315	1,140,928	0.01	92	2.8	2.8	829,977	0.39	146,379	17.6
Soaps & Detergents	$5,944,863	$5,401,798	1.93	91	1.5	1.6	$4,137,492	1.94	$587,392	14.2
Other Cleaners, Cleansers & Supplies	3,165,529	2,016,638	0.72	64	2.0	2.3	1,427,011	0.67	367,509	25.8
Paper, Plastic, Foil Products	10,989,851	9,396,260	3.36	85	2.6	2.6	6,997,463	3.28	1,026,914	14.7
Pesticides	532,073	339,493	0.12	64	2.4	2.2	257,675	0.12	72,407	28.1
Waxes & Polishes	401,626	311,130	0.11	77	−2.6	−2.4	216,537	0.10	47,966	22.2
Other Household Supplies	2,657,539	1,276,297	0.46	48	1.3	0.7	725,506	0.34	230,376	31.8
Pet Foods	6,007,973	5,541,732	1.98	92	1.3	0.7	4,000,626	1.88	670,866	16.8
Tobacco Products	26,135,046	11,173,452	4.00	43	3.9	4.1	7,846,316	3.68	1,102,351	14.1
HEALTH & BEAUTY AIDS (NON-Rx)	**30,473,576**	**10,873,471**	**3.89**	**36**	**4.3**	**4.9**	**8,567,415**	**4.02**	**2,175,487**	**25.4**
Cosmetics	4,599,597	601,614	0.22	13	4.4	6.7	445,467	0.21	152,054	34.1
Dieting Aids	426,417	203,997	0.07	48	1.2	1.4	60,179	0.03	16,670	27.7
Family Planning	452,000	44,670	0.02	10	23.0	20.7	40,521	0.02	15,533	38.3
Feminine Hygiene Products	1,657,499	993,103	0.36	60	7.8	8.2	868,015	0.41	162,316	18.7
Hair Products	4,024,522	1,580,358	0.57	39	3.5	3.0	1,443,982	0.68	402,069	27.8
Health Aids	1,091,594	503,030	0.18	46	2.4	2.4	408,570	0.19	123,482	30.2
Nail Care Products	527,697	98,037	0.04	19	4.1	6.7	77,645	0.04	29,177	37.5
Oral Hygiene Products	2,321,163	1,266,578	0.45	55	3.3	3.2	1,102,424	0.52	216,117	19.6
Packaged Medications	6,889,543	2,341,711	0.84	34	7.3	8.7	1,963,110	0.92	463,454	23.6
Personal Cleanliness Products	194,539	43,579	0.02	22	11.5	16.1	34,892	0.02	9,329	26.7
Personal Deodorants, Antiperspirants	1,131,013	628,531	0.22	56	1.3	2.6	561,907	0.26	142,162	25.3
Shaving Products	1,697,689	575,355	0.21	34	−.6	0.0	455,575	0.21	119,932	26.3
Skin Care Products	1,690,965	418,697	0.15	25	4.4	5.8	333,102	0.16	91,647	27.5
Vitamins & Tonics	1,517,086	564,821	0.20	37	3.6	4.3	463,153	0.22	147,283	31.8
Other HBA	2,252,252	1,009,390	0.36	45	1.8	3.3	308,873	0.14	84,322	27.3
PRESCRIPTIONS	**20,929,200**	**1,793,189**	**0.64**	**9**	**7.0**	**12.9**	**1,793,189**	**0.84**	**—**	**—**
GENERAL MERCHANDISE	**nd**	**9,649,784**	**3.45**	**—**	**—**	**17.4**	**8,532,211**	**4.00**	**2,657,075**	**31.1**
Audio & Video	4,164,930	536,020	0.19	13	9.1	10.6	—	—	—	—
Auto Supplies	1,994,292	371,836	0.13	19	1.2	−0.2	343,205	0.16	82,026	23.9
Electrical Appliances	nd	164,104	0.06	—	—	20.7	152,289	0.07	47,819	31.4
Flashlights and Batteries	3,584,508	560,816	0.20	16	7.5	8.2	497,444	0.23	186,542	37.5
Greeting Cards	3,692,815	451,815	0.16	12	4.8	12.3	438,261	0.21	222,198	50.7
Hardware	nd	241,719	0.09	—	—	16.8	234,951	0.11	95,860	40.8
Housewares	4,607,355	1,069,101	0.38	23	5.4	7.7	1,591,943	0.75	641,553	40.3
Other Housewares	nd	568,701	0.20	—	—	7.1	—	—	—	—
Periodicals	9,808,730	1,503,448	0.54	15	4.4	7.3	1,211,779	0.57	333,239	27.5
Other Merchandise	3,837,325	475,371	0.17	12	0.9	6.1	366,854	0.17	160,104	43.6
Pet Accessories	1,568,533	427,746	0.15	27	2.5	3.1	417,052	0.20	158,897	38.1
Photo Supplies & Processing	7,416,200	982,949	0.35	13	2.5	5.8	902,347	0.42	179,567	19.9
Stationery	627,523	126,961	0.05	4	2.3	1.7	108,298	0.05	39,854	36.8
Toys	12,085.748	268,279	0.10	2	10.8	12.7	213,550	0.10	82,430	38.6
Underwear & Hosiery	5,523,600	950,997	0.34	17	2.7	6.3	818,294	0.38	286,310	35.0
Writing Implements	902,593	105,043	0.04	12	5.5	6.6	75,841	0.04	31,474	41.5
Other General Merchandise	nd	844,878	0.30	—	—	Nc	834,739	0.39	250,422	30.0
Total Foods & Non-Foods*	**nd**	**270,585,823**	**96.8**	**—**	**—**	**4.1**	**208,296,673**	**97.65**	**47,365,360**	**22.7**
Sales N.C.E.	**nd**	**8,992,177**	**3.22**	**—**	**—**	**Nc**	**5,017,635**	**2.35**	**933,280**	**18.6**
GRAND TOTAL*	**nd**	**279,578,000**	**100.00**	**—**	**—**	**5.3**	**213,314,308**	**100.00**	**48,298,640**	**22.6**

— Not available nd — No data available

*Supermarket margins based on totals excluding Prescriptions

PERISHABLES

(add 000 to all dollar figures)	1986										1985			
	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage[3] Change from '85 to '86 Total[1]	Percentage[3] Change from '85 to '86 Grocery[2]	Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
PERISHABLES														
Baked Goods	**$17,983,400**	**$11,296,991**	**4.04**	**63**	**2.7**	**2.8**	**$7,866,472**	**3.69**	**$1,705,415**	**21.7**	**$17,516,655***	**$10,993,837***	**0.00**	**00**
Breads & Rolls	10,051,352	6,209,445	2.22	62	2.3	2.1	4,228,632	1.98	866,870	20.5	9,829,103	6,080,863	2.28	62
Rolls, Bread Type[4]	1,376,873	392,373	0.14	28	3.3	3.6					1,332,888	379,739	0.14	28
Variety Bread	1,829,538	800,934	0.29	44	4.4	4.7					1,752,431	764,980	0.28	43
White Bread	6,844,941	5,016,138	1.79	73	1.5	1.6					6,743,784	4,937,144	1.85	73
Crackers, Cookies, Biscuits	4,628,655	4,232,345	1.51	91	3.6	3.8	3,038,824	1.42	705,007	23.2	4,467,814	4,077,404	1.53	91
Bread & Cracker Crumbs	72,354	57,428	0.02	79	3.9	4.3	48,986	0.02	10,434	21.3	69,638	55,060	0.02	74
Croutons	37,450	24,390	0.01	65	2.9	3.1	21,536	0.01	4,609	21.4	36,395	23,657	0.00	65
Sweet Goods	3,193,597	773,383	0.28	24	2.5	2.2	528,994	0.25	118,495	22.4	3,115,705	756,853	0.28	24
Cakes & Pastry	2,144,760	473,344	0.17	22	5.3	5.4					2,036,809	449,093	0.16	22
Doughnuts	573,126	198,550	0.07	35	−2.1	−1.6					585,420	201,778	0.07	34
Pies	475,711	101,489	0.04	21	−3.6	−3.9					493,476	105,982	0.03	21
In-Store Bakery	**4,370,000**	**4,370,000**	**1.56**	**100**	**6.3**	**6.3**	**4,370,000**	**2.05**	**2,219,960**	**50.8**	**4,110,068**	**4,110,068**	**1.54**	**100**
Dairy	**36,662,288**	**19,202,394**	**6.87**	**52**	**2.7***	**3.2***	**13,600,932**	**6.38**	**2,687,076**	**19.8**	**35,683,268**	**18,606,893**	**7.00**	**52**
Cheese	5,730,085	4,189,329	1.50	73	3.2	3.2	3,273,500	1.53	849,981	26.0	5,554,478	4,058,597	1.52	73
Cottage & Pot Cheese	717,199	509,776	0.18	71	−2.0	−2.0	369,078	0.17	58,314	15.8	731,836	520,180	0.19	71
Natural Cheese[5]	3,072,788	1,794,764	0.64	58	4.1	4.4	1,428,632	0.67	382,873	26.8	2,951,766	1,719,123	0.64	58
Processed Cheese[6]	1,940,098	1,884,789	0.67	97	3.7	3.6	1,475,790	0.69	408,794	27.7	1,870,876	1,819,294	0.68	97
Eggs	5,229,700	1,678,344	0.60	32	4.7	5.0	1,052,322	0.49	169,424	16.1	4,994,938	1,598,423	0.60	32
Milk & Milk Products	19,020,741	7,452,412	2.67	39	2.0	2.0	5,011,217	2.35	684,524	13.7	18,640,989	7,303,686	2.74	39
Butter	1,765,436	890,061	0.32	50	0.7	1.2	701,368	0.33	124,844	17.8	1,753,164	879,507	0.33	50
Fresh Cream	412,329	231,151	0.08	56	−0.2	−0.1	175,444	0.08	35,264	20.1	413,155	231,382	0.08	56
Fresh Milk	16,771,990	6,265,922	2.24	37	2.2	2.2					16,407,193	6,131,039	2.30	37
For Home Consumption	*10,504,451*	*6,265,922*	*2.24*	*60*	*2.0*	*2.2*	*4,085,381*	*1.92*	*514,758*	*12.6*	*10,298,481*	*6,131,039*	*2.30*	*60*
Other Milk	*6,267,539*	—	—	—	*2.6*	—					*6,108,712*	—	—	—
Refrigerated Toppings	70,986	65,278	0.02	92	5.2	5.7	49,024	0.02	9,658	19.7	67,477	61,758	0.02	92
Yogurt	1,966,768	1,679,650	0.60	85	3.6	6.1	1,199,270	0.56	284,227	23.7	1,898,425	1,583,082	0.59	83
Margarine	1,868,628	1,552,633	0.56	83	−4.1	−3.9	1,102,369	0.52	228,190	20.7	1,948,517	1,615,643	0.60	83
Refrigerated Fruit Juices, Drinks	1,978,504	1,905,413	0.68	96	6.7	6.9	1,375,708	0.64	310,910	22.6	1,854,353	1,782,831	0.67	96
Apple Juice	59,253	55,896	0.02	94	−0.1	−0.7					59,312	55,507	0.02	94
Grapefruit Juice	138,192	128,008	0.05	93	6.4	6.5					129,880	120,195	0.04	93
Orange Flavored Drinks	116,333	109,150	0.04	94	7.1	7.2					108,621	101,819	0.03	94
Orange Juice	1,597,914	1,548,826	0.55	97	6.2	6.3					1,504,627	1,457,033	0.54	97
Other Fruit Juices & Drinks	66,812	63,533	0.02	95	28.7	31.6					51,913	48,277	0.01	93
Refrigerated Dough Products	662,144	633,275	0.23	96	10.9	12.7	495,854	0.23	132,889	26.8	597,064	561,912	0.21	94
Refrigerated Fish Appetizers	31,716	29,352	0.01	93	0.3	0.5	23,540	0.01	6,732	28.6	31,621	29,206	0.01	92
Refrigerated Pickles, Relishes	165,652	74,836	0.03	45	1.7	1.8	60,767	0.03	18,169	29.9	162,883	73,513	0.02	45
Refrigerated Salads	8,350	7,150	0.00	86	24.6	21.6	6,385	0.00	2,030	31.8	NA	NA	NA	NA
Frozen Foods	**18,150,276**	**13,701,378**	**4.90**	**75**	**−0.5***	**2.4***	**11,859,623**	**5.56**	**3,051,677**	**25.7**	**12,987,094**	**12,937,094**	**4.88**	**73**
Frozen Baked Goods	1,218,163	1,103,422	0.39	91	2.9	3.6	962,590	0.45	261,810	27.2	1,183,507	1,065,326	0.40	90
Frozen Bagels	130,642	123,642	0.04	95	16.3	17.8	106,827	0.05	30,980	29.0	112,332	104,959	0.03	93
Frozen Breads & Rolls	314,336	275,886	0.10	88	6.2	7.5	235,331	0.11	68,011	28.9	295,985	256,638	0.09	87
Frozen Cakes & Pastries	433,602	402,286	0.14	93	−2.6	−2.3	354,414	0.17	92,856	26.2	445,177	411,756	0.15	92
Frozen Pies	339,583	301,608	0.11	89	2.9	3.3	266,018	0.12	69,963	26.3	330,013	291,973	0.10	88
Frozen Breakfast Entrees	414,653	394,245	0.14	95	17.9	18.0	371,773	0.17	95,917	25.8	351,846	334,043	0.12	95
French Toast, Pancakes	62,081	58,806	0.02	95	23.1	23.6					50,431	47,810	0.01	95
Waffles	231,796	219,021	0.08	94	13.4	13.6					204,406	192,800	0.07	94
Other Breakfast	120,776	116,418	0.04	96	24.5	24.6					97,009	93,433	0.03	96

WHAT THE NUMBERS MEAN

1 All consumption — all retail sales, not including products sold through restaurants and institutions that have been altered by the seller. Excluding those portions of a commodity which are used commercially as an ingredient in another product.

2 Refers to grocery stores and includes supermarkets. Excluded from this column (but included in the first column) are sales by such specialty food stores as delicatessens, dairy stores, bakeries, meat markets, confectionery stores, fruit and vegetable markets, egg dealers, drug stores, and newsstands.

3 Decreases are shown by minus signs. Other figures represent increases. Comparisons to 1985 are based solely on the item categories which were reported in both the 1985 and 1986 studies.

4 Includes bagels, onion rolls, etc.

5 Includes cheddar, colby, brick, cream, foreign types.

6 Includes cheese food and cheese spreads.

NA Not applicable.

* Represents a revision of the 1985 figures, due to the inclusion of new items within the categories.

C O N S U M E R · E X P E N D I T U R E S · S T U D Y

PERISHABLES

CONTINUED

(add 000 to all dollar figures)	1986										1985			
	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage[3] Change from '85 to '86 Total[1]	Percentage[3] Change from '85 to '86 Grocery[2]	Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
Ice Cream	4,495,648	1,709,350	0.61	38	4.2	6.1	1,186,992	0.57	236,211	19.9	4,750,483	1,611,074	0.60	34
Bulk Ice Cream[7]	734,818	—	—	—	1.8	—					721,825	—	—	—
Packaged Ice Cream	2,721,606	1,709,350	0.61	41	4.6	6.1					2,601,918	1,611,074	0.60	40
Specialty Ice Cream	1,495,224				4.8						1,426,740			
Frozen Coffee Creamer	46,417	42,269	0.02	91	0.4	0.8	36,859	0.02	18,505	28.5	46,232	41,934	0.01	90
Frozen Toppings	182,969	168,090	0.60	92	−3.1	−2.8	145,230	0.07	35,727	24.6	188,823	172,932	0.06	92
Frozen Meat, Fish, Poultry	3,414,114	2,860,198	1.02	84	6.3	7.5	2,546,939	1.19	726,895	28.5	3,212,705	2,660,076	1.00	83
Fish & Other Seafood	910,097	671,560	0.24	74	5.5	5.9	592,076	0.28	177,796	30.0	862,350	634,254	0.23	74
Frozen Fish Sticks	*112,754*	*88,323*	*0.03*	*78*	*8.1*	*8.6*	*79,137*	*0.04*	*20,259*	*25.6*	*104,305*	*81,329*	*0.03*	*78*
Frozen Shrimp	*266,397*	*203,231*	*0.07*	*76*	*9.6*	*9.4*	*177,014*	*0.08*	*49,033*	*27.7*	*243,063*	*185,769*	*0.06*	*76*
Other Frozen Fish & Seafood	*530,946*	*380,006*	*0.14*	*72*	*3.1*	*3.5*	*335,925*	*0.16*	*108,504*	*32.3*	*514,982*	*367,156*	*0.13*	*71*
Frozen Meat	433,138	208,281	0.07	48	−8.4	−8.3	194,326	0.09	57,909	29.8	472,858	227,133	0.08	48
Frozen Poultry	2,070,879	1,980,357	0.71	96	10.3	10.1	1,760,537	0.83	491,190	27.9	1,877,497	1,798,689	0.67	96
Frozen Prepared Foods (Precooked)	3,792,101	3,715,165	1.33	98	3.8	4.4	3,295,338	1.54	812,843	24.7	3,651,678*	3,558,894*	1.35	99
Frozen Dinners & Entrees	1,665,908	1,662,794	0.59	100	7.0	6.8	1,466,584	0.69	344,647	23.5	1,556,923	1,556,923	0.58	100
Frozen Meat Pies	238,910	222,158	0.08	93	−3.1	−2.8	387,684	0.18	100,410	25.9	246,553	227,388	0.08	92
Frozen Pizza	1,125,032	1,105,203	0.40	98	2.3	3.7	975,894	0.46	242,998	24.9	1,099,738	1,065,770	0.40	97
Frozen Poultry Pies	225,590	209,081	0.07	93	−1.0	−0.8		(See Meat Pies)			227,869	210,767	0.07	92
Frozen Oriental	195,661	188,795	0.07	96	−11.7	−11.3	169,538	0.08	48,318	28.5	221,587	212,847	0.08	96
Frozen Mexican	311,588	298,915	0.11	96	14.9	15.6	271,116	0.13	69,677	25.7	271,182	258,577	0.09	95
Other Frozen Prepared Foods	29,412	28,219	0.01	96	5.7	6.0	24,522	0.01	6,793	27.7	27,826	26,622	0.01	96
Frozen Fruits[8]	128,471	119,704	0.04	93	−0.2	−0.2	103,664	0.05	29,959	28.9	128,765	119,889	0.04	93
Blueberries	13,888	12,571	0.00	91	9.3	9.4					12,706	11,491	0.00	90
Raspberries	16,024	14,842	0.01	93	5.1	5.3					15,246	14,095	0.00	92
Strawberries	58,503	55,263	0.02	94	−3.9	−3.7					60,877	57,386	0.02	94
Other Frozen Fruits	40,056	37,028	0.01	92	0.3	0.3					39,936	36,917	0.01	92
Frozen Fruit Juice Concentrates	1,553,851	1,418,941	0.51	91	−14.1	−13.9	1,235,211	0.58	308,347	24.9	1,808,320	1,648,816	0.62	91
Apple Juice	132,819	122,346	0.04	92	−4.9	−4.8					139,662	128,515	0.04	92
Grape Juice	93,384	84,763	0.03	91	−11.6	−11.3		(See Other)			105,638	95,561	0.03	90
Grapefruit Juice	20,959	18,718	0.01	89	−4.3	−3.8					21,901	19,457	0.00	89
Orange Juice	1,266,957	1,155,832	0.41	91	−15.7	−15.6	975,522	0.46	242,905	24.9	1,502,915	1,369,469	0.51	91
Other Fruit Concentrates	39,732	37,282	0.01	94	4.0	4.1	259,689	0.12	65,442	25.2	38,204	35,814	0.01	94
Frozen Fruit Drinks	144,559	132,798	0.05	92	−2.1	−1.9	115,667	0.05	31,577	27.3	147,685	135,352	0.05	92
Lemonade Bases	52,835	48,903	0.02	93	−2.0	−1.7					53,913	49,749	0.01	92
Regular Orange	13,140	11,774	0.00	90	−0.8	−0.5					13,246	11,833	0.00	89
Synthetic Orange	34,793	31,367	0.01	90	−4.6	−4.4		(See Other)			36,471	32,811	0.01	90
Other Fruit Drinks	43,791	40,754	0.01	93	−0.6	−0.5					44,055	40,959	0.01	93
Frozen Vegetables	2,759,330	2,037,196	0.73	74	−0.1	0.2	1,859,360	0.87	501,886	27.0	2,761,028*	2,033,562*	0.59	74
Asparagus	63,382	44,096	0.02	70	1.5	1.8					62,445	43,316	0.01	69
Broccoli	137,656	96,923	0.03	70	0.7	0.8					136,699	96,154	0.03	70
Cauliflower	36,045	25,324	0.01	70	−3.8	−3.9		(See Other)			37,469	26,352	0.00	70
Corn	195,111	134,446	0.05	69	1.6	1.8					192,038	132,069	0.04	69
French Fried Potatoes	794,792	640,194	0.23	81	−1.6	−1.3	542,244	0.25	146,948	27.1	807,715	648,626	0.24	80
Green Beans	90,590	66,323	0.02	73	−2.6	−2.1					93,008	67,746	0.02	72
Green Peas	155,320	109,461	0.04	70	−0.5	−0.2					156,101	109,680	0.04	70
Lima Beans	52,923	34,639	0.01	65	−0.9	−0.7		(See Other)			53,404	34,883	0.01	65
Onion Products	49,202	34,603	0.01	70	6.3	6.8					46,286	32,400	0.01	70
Other Potato Products	99,175	71,745	0.03	72	−0.8	−0.7	63,423	0.03	17,695	27.9	99,673	71,961	0.02	72
Spinach	61,381	43,576	0.02	71	−2.0	−1.8		(See Other)			62,634	44,375	0.01	71
Vegetable Combinations & In Sauce	720,373	520,700	0.19	72	2.1	2.5					NA	NA	NA	NA
Other Frozen Vegetables	303,380	215,166	0.08	71	−1.5	−1.3	1,253,693	0.59	337,243	26.9	NA	NA	NA	NA
Fresh & Cured Meat, Fish & Poultry	**75,024,580**	**50,676,984**	**1.81**	**68**	**1.7**	**1.9**	**40,744,295**	**19.10**	**8,189,603**	**20.1**	**73,787,602**	**49,746,207**	**18.72**	**67**
Fresh Fish & Other Fresh Seafood	3,566,859	3,124,251	1.12	88	17.1	15.3					3,045,994	2,709,671	1.02	89
Fresh Meat	43,025,391	26,625,812	9.52	62	−0.5	−0.4					43,241,871	26,741,358	10.06	62
Beef	35,310,076	21,366,755	7.64	61	0.7	0.8					35,064,624	21,197,178	7.98	60
Lamb	1,178,695	1,041,309	0.37	88	−2.1	−1.8					1,203,979	1,060,396	0.39	88
Pork	5,624,661	3,648,227	1.30	65	−3.9	−3.7					5,852,925	3,788,398	1.42	65
Veal	911,959	569,521	0.20	62	−18.6	−18.1					1,120,343	695,386	0.26	62
Fresh Poultry	11,440,614	7,432,479	2.66	65	5.3	4.6					10,864,781	7,105,620	2.67	65
Packaged Meats	16,991,716	13,494,442	4.83	79	2.1	2.3					16,634,956	13,189,558	4.96	79
Cured Ham & Picnics	2,640,304	2,094,703	0.75	79	−3.8	−3.5					2,744,599	2,170,677	0.81	79
Frankfurters	2,045,124	1,589,013	0.57	78	2.9	3.0					1,987,487	1,542,731	0.58	78
Packaged Bacon	2,699,555	2,219,325	0.79	82	0.7	0.8					2,680,789	2,201,711	0.82	82
Packaged Cold Cuts	4,377,978	3,466,294	1.24	79	3.4	3.6					4,234,021	3,345,844	1.25	79
Sausages (Uncooked)	1,440,152	1,130,269	0.40	78	2.1	2.2					1,410,531	1,105,939	0.41	78
Other Sausage Products (Cooked)	3,788,603	2,994,838	1.07	79	5.9	6.1					3,577,529	2,822,656	1.06	79

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[7] Grocery store sales are mainly packaged ice cream and specialties, and a negligible amount of bulk ice cream.

[8] Consumer size packages for home use.

PERISHABLES

CONTINUED

(add 000 to all dollar figures)	1986										1985			
	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage[3] Change from '85 to '86 Total[1]	Percentage[3] Change from '85 to '86 Grocery[2]	Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
Service Deli	**6,620,000**	**6,620,000**	**2.37**	**100**	**13.5**	**13.5**	**6,620,000**	**3.10**	**2,972,380**	**44.9**	**5,835,403**	**5,835,403**	**2.19**	**100**
Produce	**37,716,335**	**25,077,571**	**8.97**	**66**	**2.4**	**3.1**	**20,262,677**	**9.50**	**6,443,531**	**31.8**	**35,913,069**	**24,073,439**	**9.06**	**67**
Fresh Vegetables	23,999,360	14,408,747	5.15	60	1.6	1.9					23,621,766	14,138,522	5.32	60
Carrots	518,692	364,407	0.13	70	1.3	1.8					512,036	357,964	0.13	70
Celery	681,905	435,860	0.16	64	-1.2	0.1					690,187	435,425	0.16	63
Corn	552,142	304,354	0.11	55	-1.7	-0.9					561,691	307,118	0.11	55
Lettuce	2,287,706	1,474,528	0.53	65	-0.3	0.4					2,294,590	1,468,653	0.55	64
Mushrooms	646,322	441,702	0.16	68	0.6	1.0					642,467	437,329	0.16	68
Onions	947,936	543,062	0.19	57	-0.9	-0.8					956,545	547,442	0.20	57
Potatoes	3,476,695	2,091,598	0.75	60	-4.4	-4.2					3,636,711	2,183,297	0.82	60
Tomatoes	2,673,514	1,557,792	0.56	58	6.8	7.0					2,503,291	1,455,880	0.54	58
Other Fresh Vegetables	12,214,418	7,195,444	2.57	59	3.3	3.6					11,824,246	6,945,414	2.61	59
Fresh Fruit	12,779,645	10,407,399	3.72	81	4.0	4.8					12,291,303	9,934,917	3.74	81
Apples	2,757,236	2,444,191	0.87	89	7.6	8.0					2,562,487	2,263,140	0.85	88
Bananas	1,933,878	1,558,461	0.56	81	5.6	5.9					1,831,324	1,471,635	0.55	80
Citrus Fruits	2,412,370	2,027,546	0.73	84	2.7	3.3					2,348,948	1,962,774	0.73	84
Other Fresh Fruits	5,676,161	4,377,201	1.57	77	2.3	3.3					5,548,544	4,237,368	1.59	76
Floral	**657,330**	**79,425**	**0.03**	**12**	**10.5**	**24.6**					**NA**	**NA**	**NA**	**NA**
Wild Bird Seed[9]	**280,000**	**182,000**	**0.07**	**65**	**12.0**	**12.5**					**NA**	**NA**	**NA**	**NA**
Total Perishables	**196,619,639**	**130,945,318**	**46.84**	**67**	**3.3**	**3.7**	**105,323,999**	**49.38**	**27,269,642**	**25.9**	**190,356,992**	**126,274,224**	**47.53**	**66**

DRY GROCERY—FOOD

	1986										1985			
	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage Change from '85 to '86 Total[1]	Percentage Change from '85 to '86 Grocery[2]	Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
Baby Foods	**$2,070,614**	**$1,783,983**	**0.63**	**86**	**2.4**	**3.5**	**1,256,496**	**0.59**	**95,623**	**7.6**	**$2,021,892**	**$1,723,898**	**0.64**	**85**
Desserts	65,836	54,870	0.01	83	1.3	1.3	38,793	0.02	3,142	8.1	64,991	54,166	0.02	83
Fruits & Juices	350,822	317,520	0.11	91	-2.1	-1.8	226,074	0.11	20,799	9.2	358,347	311,906	0.11	87
Meat & Combinations	247,357	207,531	0.07	84	-3.7	-3.3	147,762	0.07	13,890	9.4	256,861	214,613	0.08	84
Vegetables	101,438	86,017	0.03	85	4.7	5.1	61,502	0.03	6,396	10.4	96,884	81,843	0.03	85
Infant Cereals	66,611	56,749	0.02	85	6.2	6.3	40,519	0.02	4,660	11.5	62,722	53,386	0.02	85
Infant Formulas	1,238,550	1,061,296	0.38	86	4.8	5.3	741,846	0.35	46,736	6.3	1,182,087	1,007,984	0.37	85
Hypoallergenic Formulas	*307,512*	*265,138*	*0.09*	*86*	*10.9*	*11.4*					*277,288*	*238,005*	*0.08*	*85*
Routine Infant Formulas	*931,038*	*796,158*	*0.28*	*86*	*2.9*	*3.4*					*904,799*	*769,979*	*0.28*	*85*
Baking Needs	**2,833,279**	**2,577,092**	**0.92**	**91**	**-1.2**	**0.0**	**1,880,329**	**0.88**	**388,031**	**20.6**	**2,866,310**	**2,569,509**	**0.96**	**90**
Baking Chocolate & Bits	384,693	365,742	0.13	95	3.0	3.2	267,357	0.13	56,947	21.3	373,488	354,401	0.13	95
Baking Powder	21,409	19,195	0.00	90	-1.2	-1.2	14,012	0.01	2,760	19.7	21,669	19,428	0.00	90
Baking Soda	14,935	12,372	0.00	83	-0.3	-0.2	8,982	0.00	2,057	22.9	14,980	12,521	0.00	84
Yeast	47,729	45,034	0.02	94	-5.1	-4.8	33,550	0.02	6,475	19.3	50,294	47,305	0.01	94
Baking Nuts	350,824	279,756	0.10	80	-0.6	-0.6	204,781	0.10	60,206	29.4	353,108	281,524	0.10	80
Shelled Walnuts	*243,465*	*192,258*	*0.07*	*79*	*0.1*	*0.2*					*243,222*	*191,874*	*0.07*	*79*
Other Baking Nuts	*107,359*	*87,498*	*0.03*	*82*	*-2.3*	*-2.4*					*109,886*	*89,650*	*0.03*	*82*
Flour	2,013,689	1,854,993	0.66	92	-1.9	0.0	1,351,647	0.63	259,586	19.2	2,052,771	1,854,330	0.69	90
Cake Flour	*11,840*	*10,681*	*0.00*	*90*	*-6.5*	*-6.1*	*7,979*	*0.00*	*1,197*	*15.0*	*12,663*	*11,375*	*0.00*	*90*
Corn Meal	*148,161*	*123,485*	*0.04*	*83*	*-3.2*	*-3.9*	*89,897*	*0.04*	*19,687*	*21.9*	*153,059*	*128,496*	*0.04*	*84*
Family Flour	*522,858*	*431,180*	*0.15*	*82*	*-5.7*	*-4.4*	*316,055*	*0.15*	*43,932*	*13.9*	*554,462*	*451,025*	*0.16*	*81*
Pancake & Waffle Mixes	*137,601*	*127,460*	*0.05*	*93*	*0.9*	*1.3*	*91,644*	*0.04*	*18,787*	*20.5*	*136,374*	*125,824*	*0.04*	*92*
Prepared Mixes	*1,193,229*	*1,162,187*	*0.42*	*97*	*-1.2*	*-0.2*	*846,072*	*0.40*	*175,983*	*20.8*	*1,196,213*	*1,164,610**	*0.42*	*95*
Cake Mixes	545,497	520,032	0.19	95	1.3	1.7					538,497	511,340	0.19	95
Frostings, Icings, Fudge	283,108	268,165	0.10	95	-1.9	-2.3					288,592**	274,478	0.09	92
Pie Crust Mixes	60,268	57,972	0.02	96	-4.0	-4.1					62,779	60,450	0.02	96
Pizza Pie Mixes	84,386	81,947	0.03	97	-0.8	-1.1					85,067	82,858	0.03	97
Other Prepared Mixes	239,589	234,071	0.08	98	-0.7	-0.6					241,278	235,484	0.08	98
Beer, Wine & Liquor	**38,294,497**	**16,612,565**	**5.94**	**43**	**1.0**	**4.8**	**9,622,593**	**4.53**	**1,544,345**	**16.0**	**37,970,622**	**15,851,735**	**5.96**	**42**
Beer for Home Consumption	19,307,629	13,580,255	4.86	70	4.1	4.6	7,676,234	3.60	928,824	12.1	18,547,195	12,983,036	4.88	70
Imported Beer	*961,936*	*678,703*	*0.24*	*71*	*12.6*	*12.9*					*854,295*	*601,154*	*0.22*	*70*
Domestic Beer	*18,342,248*	*12,901,243*	*4.61*	*70*	*3.7*	*4.2*					*17,692,900*	*12,381,882*	*4.66*	*70*
Liquor	11,449,333	303,065	0.11	3	4.8	2.8	281,547	0.13	107,551	38.2	12,026,610	311,795	0.11	3
Wine	6,434,196	1,986,626	0.71	31	1.6	0.3	1,249,587	0.59	407,365	32.6	6,538,817	1,992,604	0.75	30
Alcohol Coolers[10]	1,103,339	742,619	0.27	67	28.6	31.6	445,225	0.21	100,604	22.1	858,000	564,300	0.21	66

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[9] Includes packages, bulk, and bells.

[10] Includes wine and malt based coolers.

** Represents a revision of the 1985 figures previously published

DRY GROCERY—FOOD

CONTINUED

	1986										1985			
	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage Change from '85 to '86 Total[1]	Percentage Change from '85 to '86 Grocery[2]	Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
Breakfast Foods	**5,818,702**	**5,623,083**	**2.01**	**97**	**6.5**	**7.1**	**4,239,515**	**1.99**	**584,110**	**13.8**	**5,461,243**	**5,249,516**	**1.97**	**96**
Cold Cereals	4,758,123	4,635,800	1.66	97	9.7	10.2	3,486,122	1.63	446,224	12.8	4,337,396	4,206,715	1.58	97
Hominy Grits	85,158	75,571	0.03	89	1.0	1.2	58,870	0.03	11,126	18.9	84,315	74,675	0.02	89
Hot Cereals	455,580	412,296	0.15	90	0.2	0.8	315,819	0.15	50,215	15.9	454,671	409,024	0.15	90
Cereal Bars	399,802	386,198	0.14	97	−16.6	−16.1	295,828	0.14	60,053	20.3	479,379	460,308	0.17	96
Toaster Pastries	120,039	113,218	0.04	94	13.6	14.6	82,876	0.04	16,492	19.9	105,482	98,794	0.03	94
Candy & Chewing Gum	**9,310,447**	**3,180,026**	**1.14**	**34**	**3.7**	**2.7**	**2,452,813**	**1.15**	**751,069**	**30.6**	**8,981,363**	**3,096,658**	**1.16**	**34**
Bar Candy	3,410,352	1,079,152	0.39	32	3.4	2.1					3,298,641	1,057,337	0.39	32
Chocolate	*2,698,571*	*848,062*	*0.30*	*31*	*3.2*	*1.6*					*2,614,894*	*834,707*	*0.31*	*32*
Non-Chocolate	*711,781*	*231,090*	*0.08*	*32*	*4.1*	*3.8*					*683,747*	*222,630*	*0.08*	*33*
Packaged Chocolate	304,860	135,549	0.05	44	4.6	3.2	1,724,782	0.81	507,086	29.4	291,461	131,397	0.04	45
Chocolate Covered Creams	*150,129*	*68,078*	*0.02*	*45*	*4.8*	*3.6*					*143,253*	*65,712*	*0.02*	*46*
Chocolate Covered Fruits	*76,197*	*32,325*	*0.01*	*42*	*4.3*	*2.2*					*73,056*	*31,629*	*0.01*	*43*
Chocolate Covered Nuts	*78,534*	*35,146*	*0.01*	*45*	*4.5*	*3.2*					*75,152*	*34,056*	*0.01*	*45*
Packaged Candy Covered Chocolate	359,330	192,216	0.07	53	1.8	−0.3					352,967	192,794	0.07	55
Bulk Candy	698,782	445,047	0.16	64	3.0	3.6					678,429	429,582	0.16	63
Packaged Soft Candy	124,368	66,230	0.02	53	5.4	2.8					117,996	64,426	0.02	55
Packaged Hard Candy	318,096	180,938	0.06	57	0.6	−0.6					316,199	182,030	0.06	58
Hard Roll Candy	142,109	69,522	0.02	49	0.3	−0.4					141,684	69,801	0.02	49
Diet Candy, Mints, Gum	21,317	16,099	0.01	76	5.6	5.8					20,187	15,216	0.00	75
Breath Fresheners	201,669	98,079	0.04	49	2.2	2.1	65,419	0.03	20,869	31.9	197,715	96,062	0.03	49
Marshmallows	79,774	70,293	0.03	88	5.0	4.3	48,080	0.02	13,559	28.2	75,975	67,395	0.02	89
Chewing Gum	1,390,047	627,714	0.22	45	5.9	5.1	614,532	0.29	209,555	34.1	1,313,093	597,043	0.22	45
Sugared	*816,393*	*369,065*	*0.13*	*45*	*4.8*	*4.1*					*778,996**	*354,429**	*0.1*	*46*
Sugarless	*573,654*	*258,649*	*0.09*	*45*	*7.4*	*6.6*					*534,097**	*242,614**	*0.1*	*45*
Other Candy	2,259,743	199,187	0.07	9	3.8	2.9					2,177,016	193,575	0.07	9
Canned Fish & Canned Seafood	**2,122,494**	**1,875,395**	**0.67**	**88**	**3.4**	**3.6**	**1,442,647**	**0.68**	**224,137**	**15.5**	**2,051,775**	**1,809,772**	**0.68**	**88**
Canned Salmon	366,840	270,647	0.10	74	4.2	4.4	209,751	0.10	42,789	20.4	352,054	259,240	0.09	74
Canned Sardines	105,698	99,842	0.04	94	6.7	6.9	77,977	0.04	16,999	21.8	99,061	93,398	0.03	94
Canned Tuna	1,566,621	1,440,497	0.52	92	3.1	3.3	1,113,504	0.52	153,664	13.8	1,519,516	1,394,479	0.52	92
Other Canned Fish & Seafood	83,335	64,409	0.02	77	2.7	2.8	41,415	0.02	10,685	25.8	81,144	62,655	0.02	77
Canned Fruits	**1,807,593**	**1,555,446**	**0.56**	**86**	**3.9**	**4.1**	**1,128,233**	**0.53**	**248,901**	**22.1**	**1,740,072**	**1,494,795**	**0.56**	**86**
Applesauce	253,395	222,987	0.08	88	9.3	9.6	165,902	0.08	40,314	24.3	231,834	203,455	0.07	88
Apricots	30,848	27,720	0.01	90	−4.7	−4.6	20,125	0.01	4,347	21.6	32,369	29,057	0.01	90
Citrus	57,845	51,058	0.02	88	1.2	1.4	39,053	0.02	10,857	27.8	57,159	50,353	0.01	88
Cranberries	101,695	90,778	0.03	89	0.8	1.1	77,252	0.04	14,832	19.2	100,888	89,790	0.03	89
Fruit Cocktail	275,787	236,420	0.08	86	6.4	6.6	166,203	0.08	33,739	20.3	259,198	221,782	0.08	86
Peaches	355,340	304,971	0.11	86	7.9	8.2	201,586	0.09	42,535	21.1	329,320	281,859	0.10	86
Pears	165,508	140,432	0.05	85	6.7	6.8	111,363	0.05	22,495	20.2	155,115	131,491	0.04	85
Pineapple	242,915	205,665	0.07	85	−0.3	−0.7	157,539	0.07	37,967	24.1	243,646	207,115	0.07	85
Other Canned Fruit	324,260	275,415	0.10	85	−1.9	−1.6	189,210	0.09	41,815	22.1	330,540	279,893	0.10	85
Canned & Bottled Juices & Drinks[11]	**3,970,961**	**3,409,358**	**1.22**	**86**	**4.1**	**3.9**	**2,409,272**	**1.13**	**544,149**	**22.6**	**3,776,680**	**3,247,166**	**1.22**	**86**
Apple Cider & Juice	778,338	718,397	0.26	92	2.2	2.5	533,166	0.25	117,297	22.0	761,583	700,875	0.26	92
Cranberry Juice	314,208	294,874	0.11	94	1.7	2.1	276,887	0.13	54,547	19.7	308,956	288,809	0.10	93
Grape Juice	133,259	123,339	0.04	93	0.9	−0.8	97,561	0.05	21,268	21.8	134,469	124,334	0.04	92
Grapefruit Juice	200,013	167,382	0.06	84	6.1	6.3	132,232	0.06	12,550	19.0	188,514	157,462	0.05	84
Nectars	61,147	57,233	0.02	94	−3.4	−3.1	43,554	0.02	9,494	21.8	63,299	59,064	0.02	93
Orange Juice	109,992	86,342	0.03	78	−10.3	−9.9	66,051	0.03	66,051	23.7	122,622	95,829	0.03	78
Pineapple Juice	106,844	99,938	0.04	94	−1.2	−0.9	75,053	0.04	16,962	22.6	108,142	100,846	0.03	93
Prune Juice	134,740	115,921	0.04	86	−0.3	0.1	85,202	0.04	17,296	20.3	135,145	115,805	0.04	86
Other Fruit Juices	29,741	22,797	0.01	77	−2.6	−2.1	17,804	0.01	5,145	28.9	30,535	23,286	0.00	76
Vegetable Juice[12]	260,707	224,200	0.08	86	−5.1	−4.6	182,274	0.09	33,174	18.2	274,718	235,011	0.08	86
Fruit Drinks	1,256,842	1,065,597	0.38	85	4.5	4.9	639,358	0.30	127,232	19.9	1,202,720	1,015,822	0.38	84
Aseptic Packed Juices & Drinks	545,430	398,338	0.14	73	22.3	20.7	229,443	0.11	56,443	24.6	445,977	330,023	0.12	75
Aseptic Packed Juice & Drink Concentrates	39,700	35,600	0.01	90	340.7	323.7	30,687	0.01	6,690	21.8	NA	NA	NA	NA
Canned Meats & Specialty Foods	**1,972,318**	**1,492,061**	**0.53**	**76**	**−2.7**	**−2.1**	**1,050,485**	**0.49**	**246,574**	**23.5**	**2,026,997**	**1,524,781**	**0.57**	**75**
Beef Hash	98,046	76,912	0.03	78	2.5	2.6	56,223	0.03	11,806	21.0	95,655	74,963	0.02	78
Corned Beef	72,662	66,083	0.02	91	−9.0	−8.7	48,505	0.02	11,641	24.0	79,848	72,380	0.02	91
Ham	356,717	304,485	0.11	85	−5.5	−5.2	189,085	0.09	54,078	28.6	377,478	321,187	0.12	85
Lunch Meat	186,552	160,833	0.06	86	0.6	0.9	119,177	0.06	17,638	14.8	185,439	159,398	0.06	86
Meat Spreads	91,831	83,096	0.03	91	0.9	0.8	61,160	0.03	11,620	19.0	91,923	84,143	0.03	92
Poultry	124,867	114,709	0.04	92	9.2	9.7	77,084	0.04	13,027	16.9	114,347	104,566	0.03	91
Sausages & Frankfurters	162,156	143,956	0.05	89	1.7	2.2	105,808	0.05	27,616	26.1	159,445	140,857	0.05	88
Other Canned Meats	879,487	541,187	0.19	62	−4.7	−4.6	393,443	0.18	99,148	25.2	922,862	567,282	0.21	61
Canned Milk	**435,285**	**383,784**	**0.14**	**88**	**−5.2**	**−4.6**	**292,443**	**0.14**	**23,980**	**8.2**	**459,231**	**402,104**	**0.15**	**88**
Condensed Milk	24,569	15,512	0.01	63	−3.8	−3.5					25,539	16,075	0.00	63
Evaporated Milk	410,706	368,272	0.13	90	−5.3	−4.6					433,692	386,029	0.14	89
Canned Prepared Food	**1,690,140**	**1,566,382**	**0.56**	**93**	**6.8**	**7.2**	**1,241,533**	**0.58**	**282,477**	**22.8**	**1,583,116**	**1,460,521**	**0.54**	**92**
Chili	297,641	259,638	0.09	87	1.1	1.6	205,893	0.10	34,178	16.6	294,403	255,549	0.09	87
Meat Stew	154,914	136,971	0.05	88	−1.3	−1.8	108,481	0.05	20,503	18.9	156,954	138,076	0.05	88
Mexican Food	520,230	486,488	0.17	94	9.6	9.8	385,785	0.18	102,233	26.5	474,662	443,067	0.16	93
Oriental Food	246,141	235,753	0.08	96	7.8	8.1	186,481	0.09	53,520	28.7	228,331	218,088	0.08	96
Pasta	471,214	447,532	0.16	95	9.9	10.3	354,893	0.17	72,043	20.3	428,766	405,741	0.15	95

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11 Full strength and concentrated juices, non carbonated

12 Chiefly tomato juice

DRY GROCERY—FOOD

CONTINUED

	1986										1985			
	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage Change from '85 to '86 Total[1]	Percentage Change from '85 to '86 Grocery[2]	Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
Canned & Dry Soup	**2,243,318**	**2,110,138**	**0.75**	**94**	**3.0**	**3.5**	**1,609,128**	**0.75**	**289,195**	**18.0**	**2,177,493**	**2,039,720**	**0.76**	**94**
Canned Soup	1,801,655	1,701,593	0.61	94	1.9	2.3	1,281,300	0.60	207,571	16.2	1,768,707	1,662,881	0.62	94
Condensed Soup	*1,212,964*	*1,144,733*	*0.41*	*94*	*1.7*	*2.1*					*1,192,688*	*1,121,188*	*0.47*	*94*
Single Strength Soup	*588,691*	*556,860*	*0.20*	*95*	*2.2*	*2.8*					*576,019*	*541,693*	*0.15*	*94*
Dry Soup Mixes	373,309	344,332	0.12	92	9.3	9.7	280,631	0.13	70,438	25.1	341,575	313,885	0.11	92
Instant Bouillon & Cubes	68,354	64,213	0.02	94	1.7	2.0	47,197	0.02	11,186	23.7	67,211	62,954	0.02	94
Canned Vegetables	**3,400,588**	**3,002,799**	**1.07**	**88**	**−1.6**	**−1.4**	**2,354,953**	**1.10**	**516,520**	**21.9**	**3,457,568**	**3,046,935**	**1.14**	**88**
Asparagus	95,790	85,244	0.03	89	2.8	3.6	70,241	0.03	17,279	24.6	93,181	82,282	0.03	88
Beans (Waxed & Green)	390,280	347,514	0.12	89	2.9	3.3	278,359	0.13	61,517	22.1	379,281	336,412	0.12	89
Beans with Pork or Sauce[13]	420,660	384,896	0.14	91	−3.4	−3.1	290,596	0.14	54,923	18.9	435,466	397,209	0.14	91
Beets	79,778	71,332	0.03	89	3.9	4.1	56,780	0.03	13,003	22.9	76,783	68,523	0.02	89
Corn	572,454	510,350	0.18	89	−4.1	−3.8	413,894	0.19	99,748	24.1	596,928	530,509	0.19	89
Mushrooms	247,720	222,682	0.08	90	−2.8	−2.6	176,141	0.08	45,092	25.6	254,856	228,626	0.08	90
Peas	342,969	304,033	0.11	89	0.8	0.7	222,552	0.10	52,967	23.8	340,247	301,920	0.11	89
Potatoes	115,640	99,249	0.04	86	−2.1	−2.2	59,748	0.03	13,802	23.1	118,121	101,482	0.03	86
Sauerkraut	74,367	67,448	0.02	91	−0.7	−0.6	52,744	0.02	11,867	22.5	74,891	67,855	0.02	90
Tomatoes	388,580	333,065	0.12	86	−2.0	−1.9	275,445	0.13	61,149	22.2	396,510	339,516	0.12	86
Tomato Sauce	379,332	326,322	0.12	86	−2.7	−2.6	260,079	0.12	48,375	18.6	389,858	335,033	0.12	86
Tomato Paste	191,649	164,760	0.06	86	−3.2	−3.1	136,916	0.06	23,276	17.0	197,985	170,031	0.06	86
Tomato Puree	56,408	48,138	0.02	85	−1.8	−1.6	40,725	0.02	8,878	21.8	57,442	48,921	0.01	85
Other Canned Vegetables	44,961	37,766	0.01	84	−2.3	−2.2	20,733	0.01	4,644	22.4	46,019	38,616	0.01	84
Condiments, Dressings, Spreads, Relishes	**6,962,936**	**5,593,304**	**2.00**	**80**	**2.8**	**3.0**	**4,346,761**	**2.04**	**946,272**	**21.8**	**6,770,919**	**5,433,003**	**2.04**	**80**
Condiments	2,211,200	1,757,928	0.63	80	3.9	4.1	1,347,123	0.63	310,675	23.1	2,127,196	1,689,273	0.63	79
Barbeque Sauce	344,073	305,901	0.11	89	3.4	3.8	240,744	0.11	40,204	16.7	332,759	294,702	0.11	89
Condiment Sauces[14]	121,444	95,693	0.03	79	6.4	6.8	69,746	0.03	14,716	21.1	114,139	89,600	0.03	79
Flavor Enhancers	23,204	20,769	0.01	90	−2.4	−2.3	15,307	0.01	3,842	25.1	23,775	21,258	0.00	89
Ketchup	603,068	475,410	0.17	79	2.2	2.3	349,426	0.16	66,740	19.1	590,086	464,721	0.17	79
Meat Tenderizers	36,065	29,590	0.01	82	−4.7	−4.4	22,607	0.01	6,262	27.7	37,844	30,952	0.01	82
Onion Flakes	41,844	36,250	0.01	87	0.9	1.1	27,478	0.01	8,436	30.7	41,471	35,856	0.01	86
Pepper	215,826	154,572	0.06	72	19.0	19.3	115,774	0.05	27,670	23.9	181,366	129,566	0.04	71
Prepared Mustard	168,039	130,667	0.05	78	5.7	6.3	103,619	0.05	23,936	23.1	158,977	122,923	0.04	77
Salt	140,012	115,170	0.04	82	1.6	1.8	85,802	0.04	19,134	22.3	137,807	113,134	0.04	82
Spices	517,625	393,906	0.14	76	1.7	1.9	316,620	0.15	99,735	31.5	508,972	386,561	0.14	76
Dressings, Spreads	2,242,921	1,882,743	0.67	84	0.5	0.6	1,493,668	0.70	259,531	17.4	2,232,771	1,870,602	0.70	84
Pourable Salad Dressings	817,315	712,948	0.26	87	3.6	3.5	576,775	0.27	127,467	22.1	788,914	688,839	0.25	87
Spoonable Salad Dressings	451,392	399,777	0.14	89	1.1	1.3	331,815	0.16	38,491	11.6	446,923	394,647	0.14	88
Mayonnaise	801,120	642,926	0.23	80	−2.3	−2.2	480,266	0.23	70,119	14.6	819,980	657,389	0.24	80
Sandwich Spreads	46,888	41,526	0.01	89	−2.4	−2.3	31,311	0.01	5,667	18.1	48,041	42,504	0.01	86
Vinegar	126,206	85,566	0.03	68	−2.1	−1.9	73,501	0.03	17,787	24.2	128,913	87,223	0.03	68
Relishes & Appetizers	1,210,356	818,889	0.29	68	2.8	3.2	655,662	0.31	179,645	27.4	1,177,681	793,276	0.29	67
Bottled Green Olives	150,505	125,818	0.05	84	1.8	2.4	104,429	0.05	30,284	29.0	147,844	122,869	0.04	85
Canned Ripe Olives	176,033	152,667	0.05	87	5.3	4.6	123,660	0.06	32,399	26.2	167,173	145,953	0.05	87
Pickled Cucumbers, Tomatoes, Peppers	770,624	444,417	0.16	58	2.3	2.9	357,311	0.17	98,975	27.7	753,298	431,892	0.16	57
Relishes & Mixed Pickles	113,194	95,987	0.03	85	3.5	3.7	70,262	0.03	17,987	25.6	109,366	92,562	0.03	85
Spaghetti Sauces	1,298,459	1,133,744	0.41	87	5.3	5.0	850,308	0.40	196,421	23.1	1,233,271	1,079,852	0.40	88
Meatless	1,126,635	998,255	0.36	89	5.3	5.0					1,069,929	950,719	0.35	89
With Meat	159,345	125,573	0.04	79	[illegible]	4.9					151,469	119,707	0.04	79
With Clams	12,479	9,916	0.00	79	5.1	5.2					11,873	9,426	0.00	79
Desserts	**657,190**	**575,362**	**0.21**	**88**	**−1.6**	**−2.0**	**441,988**	**0.21**	**98,123**	**22.2**	**668,195**	**587,350**	**0.22**	**88**
Packaged Gelatin[15]	239,929	220,501	0.08	92	−3.2	−3.1	171,329	0.08	33,238	19.4	247,861	227,555	0.08	92
Prepared Puddings[16]	299,499	252,377	0.09	84	−2.8	−2.7	192,059	0.09	46,478	24.2	308,127	262,074	0.09	85
Dried Toppings	13,697	13,154	0.00	96	−12.1	−11.9	10,352	0.00	2,847	27.5	15,582	14,931	0.00	96
Ice Cream & Dessert Toppings	104,065	89,330	0.03	86	7.7	7.9	68,248	0.03	15,561	22.8	96,625	82,790	0.03	86
Dried Foods	**3,069,065**	**2,477,235**	**0.89**	**81**	**4.8**	**5.5**	**1,855,715**	**0.87**	**373,643**	**20.1**	**2,929,311**	**2,347,523**	**0.88**	**80**
Dried Vegetables & Fruits	1,832,300	1,358,399	0.49	74	3.6	4.2	996,645	0.47	203,550	20.4	1,768,272	1,303,404	0.49	74
Dried Beans & Peas	429,204	218,761	0.08	51	−0.3	0.0	130,163	0.06	21,737	16.7	430,495	218,761	0.08	51
Fruits	580,907	444,305	0.16	76	4.5	5.3	347,955	0.16	78,638	22.6	555,804	421,909	0.15	76
Apricots	*25,894*	*18,122*	*0.01*	*70*	*−4.3*	*−4.1*					*27,057*	*18,897*	*0.00*	*70*
Dates	*36,899*	*30,817*	*0.01*	*84*	*−1.1*	*2.3*					*37,309*	*30,118*	*0.01*	*81*
Figs	*9,087*	*6,511*	*0.00*	*72*	*−2.1*	*−1.8*					*9,282*	*6,630*	*0.00*	*71*
Raisins	*356,945*	*272,272*	*0.10*	*76*	*3.1*	*3.8*					*346,212*	*262,304*	*0.09*	*76*
Prunes	*120,076*	*94,158*	*0.03*	*78*	*11.6*	*11.8*					*107,595*	*84,220*	*0.03*	*78*
Other Dried Fruits[17]	*32,006*	*22,425*	*0.01*	*70*	*12.9*	*13.6*					*28,349*	*19,740*	*0.00*	*69*
Instant Mashed Potatoes	144,345	136,708	0.05	95	4.1	4.5	101,301	0.05	21,476	21.2	138,660	130,821	0.04	94
Other Instant Potatoes	51,953	48,115	0.02	93	3.8	4.2	35,365	0.02	6,472	18.3	50,051	46,176	0.01	92
Rice	625,891	510,510	0.18	82	5.5	5.1	381,861	0.18	75,227	19.7	593,262	485,737	0.18	82

[13] Includes baked beans

[14] Excludes chili, seafood, cocktail and spaghetti sauces

[15] Both flavored and unflavored

[16] Both instant and other prepared puddings. Includes corn starch puddings, tapioca and rennet

[17] Excludes fruit rolls and bars (listed under Snacks)

DRY GROCERY—FOOD

CONTINUED

	1986										1985			
					Percentage Change from '85 to '86									
	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Total[1]	Grocery[2]	Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
Other Dried Foods	1,236,765	1,118,836	0.40	90	6.5	7.2	859,070	0.40	170,093	19.8	1,161,039	1,044,119	0.39	90
Cured Fish	201,235	128,937	0.05	64	1.7	1.8	98,766	0.05	23,111	23.4	197,871	126,657	0.04	64
Dry Gravy Mixes	73,289	70,076	0.03	96	7.0	7.2	51,296	0.02	14,312	27.9	68,494	65,369	0.02	95
Dry Dinner Mixes	700,501	580,092	0.24	97	11.1	11.3	506,669	0.24	92,214	18.2	630,514	611,044	0.23	97
Breading Mixes	106,471	89,360	0.03	84	-2.5	-2.1	65,501	0.03	13,362	20.4	109,201	91,277	0.03	84
Dry Stuffing Mixes	155,269	150,371	0.05	97	0.2	0.4	136,838	0.06	27,094	19.8	154,959	149,772	0.05	97
Fats & Shortenings[18]	**1,831,673**	**1,489,018**	**0.53**	**81**	**-6.3**	**-5.7**	**1,132,511**	**0.53**	**226,147**	**20.0**	**1,954,091**	**1,579,628**	**0.59**	**81**
Cooking & Salad Oils	1,123,514	915,840	0.33	82	-5.9	-5.6	729,924	0.34	162,773	22.3	1,193,957	970,170	0.36	81
Lard	126,294	53,929	0.02	43	-11.2	-11.4	39,530	0.02	6,839	17.3	142,233	61,006	0.02	43
Olive Oil	97,457	91,922	0.03	94	13.1	13.6	66,919	0.03	14,187	21.2	86,169	80,917	0.03	94
Shortening	484,408	427,327	0.15	88	-8.9	-8.6	296,138	0.14	42,348	14.3	531,732	467,535	0.17	88
Jams, Jellies, Preserves	**2,324,686**	**1,876,596**	**0.67**	**81**	**0.7**	**0.9**	**1,297,231**	**0.61**	**264,612**	**20.4**	**2,308,746**	**1,859,842**	**0.70**	**81**
Citrus Marmalade	13,814	11,662	0.00	84	2.1	2.1	597,263	0.28	151,108	25.3	13,537	11,422	0.00	84
Fruit Butter	7,048	6,026	0.00	85	2.6	2.7					6,869	5,868	0.00	85
Jams, Preserves	734,548	626,647	0.22	85	1.9	2.0					720,852	614,360	0.23	85
Jellies	267,977	227,582	0.08	85	-1.7	-1.6					272,611	231,283	0.08	85
Honey	175,507	124,164	0.04	71	-5.5	-5.3	89,771	0.04	18,313	20.4	185,722	131,113	0.04	71
Peanut Butter	1,125,792	880,515	0.31	78	1.5	1.7	610,197	0.29	95,191	15.6	1,109,155	865,796	0.32	78
Pasta	**1,376,207**	**999,484**	**0.36**	**73**	**8.9**	**7.4**	**752,611**	**0.35**	**185,142**	**24.6**	**1,263,460**	**930,789**	**0.35**	**74**
Macaroni	485,091	326,680	0.12	67	15.1	12.1					421,452	291,418	0.10	69
Noodles	337,653	240,007	0.09	71	8.8	8.3					310,343	221,613	0.08	71
Spaghetti	553,463	432,797	0.15	78	4.1	3.6					531,665	417,758	0.15	79
Prepared Drinks	**10,364,917**	**8,154,277**	**2.92**	**79**	**11.0**	**10.0**	**5,980,344**	**2.80**	**979,882**	**16.4**	**9,337,896****	**7,412,161**	**2.79**	**79**
Cocoa	350,676	311,891	0.11	89	4.3	4.7	255,185	0.12	45,933	18.0	336,100	297,946	0.11	89
Unsweetened Cocoa	*31,016*	*22,684*	*0.01*	*73*	*-3.8*	*-3.7*					*32,241*	*23,556*	*0.00*	*73*
Prepared Sweet Cocoa	*319,660*	*289,207*	*0.10*	*90*	*5.2*	*5.4*					*303,859*	*274,390*	*0.10*	*90*
Coffee	7,601,402	5,639,137	2.02	74	16.6	16.3	4,123,168	1.93	600,034	14.6	6,517,491**	4,847,327	1.82	74
Regular Coffee	*5,905,632*	*4,043,280*	*1.45*	*68*	*19.3*	*19.7*	*2,967,768*	*1.39*	*403,616*	*13.6*	*4,950,236*	*3,377,845*	*1.27*	*68*
Instant Coffee	*1,695,770*	*1,595,857*	*0.57*	*94*	*8.2*	*8.6*	*1,155,400*	*0.54*	*196,418*	*17.0*	*1,567,255*	*1,469,482*	*0.55*	*94*
Powdered Drink Mixes[19]	767,326	723,146	0.26	94	-6.5	-6.3	525,727	0.25	112,506	21.4	820,669	771,767	0.29	94
Dry Milk Powder	126,459	118,985	0.04	94	-9.8	-9.3	85,907	0.04	14,776	17.2	140,199	131,185	0.04	94
Prepared Food Drinks[20]	110,167	104,038	0.04	94	-10.9	-10.7	68,977	0.03	13,519	19.6	123,644	116,504	0.04	94
Tea	1,076,779	951,075	0.34	88	4.1	4.4	700,697	0.33	142,332	20.3	1,034,127	911,384	0.34	88
Bags & Loose Tea	*428,775*	*385,965*	*0.14*	*90*	*1.3*	*1.7*	*300,281*	*0.14*	*57,954*	*19.3*	*423,272*	*379,513*	*0.13*	*90*
Herb Tea	*149,197*	*105,241*	*0.04*	*71*	*7.2*	*7.3*	*77,773*	*0.04*	*23,410*	*30.1*	*139,158*	*98,081*	*0.03*	*70*
Ice Tea Mixes	*371,236*	*342,780*	*0.12*	*92*	*8.7*	*9.1*	*243,374*	*0.11*	*45,511*	*18.7*	*341,523*	*314,189*	*0.11*	*92*
Instant Tea	*127,571*	*117,089*	*0.04*	*92*	*-2.0*	*-2.1*	*79,269*	*0.04*	*15,457*	*19.5*	*130,174*	*119,601*	*0.04*	*92*
Breakfast Drinks	117,861	111,591	0.04	95	-17.0	16.3	80,122	0.04	16,345	20.4	142,001	133,322	0.05	94
Coffee Creamers	214,247	194,414	0.07	91	-4.2	-4.1	140,561	0.07	34,437	24.5	223,640	202,726	0.07	91
Snacks	**7,966,061**	**5,100,234**	**1.82**	**64**	**6.8**	**7.9**	**3,305,512**	**1.55**	**764,981**	**23.1**	**7,462,273**	**4,725,604**	**1.77**	**63**
Corn Chips	1,139,485	853,736	0.31	75	4.9	5.3	600,176	0.28	141,041	23.5	1,086,258	810,765	0.30	75
Fruit Rolls & Bars	296,898	250,471	0.09	84	21.3	26.7	155,542	0.07	34,375	22.1	24,763	197,688	0.07	81
Packaged Unpopped Popcorn	500,200	419,075	0.15	84	26.2	25.8	217,919	0.10	57,095	26.2	396,355	333,128	0.12	84
Popped Popcorn	359,125	262,398	0.09	73	8.6	8.3	143,269	0.07	38,396	26.8	330,686	242,288	0.09	73
Pork Rinds	221,727	195,224	0.07	88	4.1	4.2	125,724	0.06	33,191	26.4	212,994	187,355	0.07	88
Potato Chips	3,447,941	1,967,356	0.70	57	7.8	8.3	1,278,781	0.60	257,035	20.1	3,198,461	1,816,580	0.68	57
Pretzels	303,845	274,571	0.10	90	5.1	5.8	219,931	0.10	49,265	22.4	289,101	259,519	0.09	90
Snack Nuts[21]	1,696,840	877,403	0.31	52	-0.4	-0.1	564,170	0.26	154,583	27.4	1,703,655	878,281	0.33	52
Soft Drinks	**12,106,425**	**7,029,761**	**2.51**	**58**	**4.3**	**4.6**	**5,822,032**	**2.73**	**1,188,023**	**20.4**	**11,610,459**	**6,723,057**	**2.53**	**58**
Bottled Soft Drinks	10,059,636	5,074,772	1.82	50	3.9	3.8	*5,536,967*	*2.60*	*1,118,467*	*20.2*	9,681,960	4,887,667	1.84	50
Diet	*707,840*	*558,846*	*0.20*	*79*	*-1.1*	*-1.3*					*715,713*	*566,207*	*0.21*	*79*
Sugared	*9,351,796*	*4,515,926*	*1.62*	*48*	*4.3*	*4.5*					*8,966,247*	*4,321,460*	*1.62*	*48*
Canned Soft Drinks	1,737,693	1,653,013	0.59	95	4.1	4.4					1,669,190	1,583,323	0.59	95
Diet	*659,602*	*611,006*	*0.22*	*93*	*1.9*	*2.1*					*647,303*	*598,439*	*0.22*	*92*
Sugared	*1,078,091*	*1,042,007*	*0.37*	*97*	*5.5*	*5.8*					*1,021,887*	*984,884*	*0.37*	*96*
Bottled Water	309,096	301,976	0.11	98	19.2	19.8	285,065	0.13	69,556	24.4	259,309	252,067	0.09	97
Sweeteners, Flavors	**2,641,135**	**2,164,455**	**0.77**	**82**	**-1.7**	**-1.7**	**1,608,272**	**0.75**	**225,834**	**14.0**	**2,686,443**	**2,201,883**	**0.82**	**82**
Flavoring Extracts	146,204	98,395	0.04	67	0.5	0.7	72,992	0.03	20,434	28.0	145,504	97,673	0.03	67
Vanilla Extracts	*87,029*	*59,962*	*0.02*	*69*	*0.4*	*0.7*	*44,552*	*0.02*	*12,385*	*27.8*	*86,682*	*59,545*	*0.02*	*69*
Other Flavoring Extracts	*59,175*	*38,433*	*0.01*	*65*	*0.6*	*0.8*	*28,440*	*0.01*	*8,049*	*28.3*	*58,822*	*38,128*	*0.01*	*65*
Marshmallow Cream	12,443	11,108	0.00	89	1.8	1.6	7,998	0.00	1,815	22.7	12,223	10,933	0.00	89
Packaged Molasses	22,736	19,604	0.01	86	0.0	0.1	14,409	0.01	3,069	21.3	22,736	19,584	0.00	86
Sugar	1,712,049	1,448,655	0.52	85	-3.0	-2.9	1,057,518	0.50	114,212	10.8	1,764,999	1,491,921	0.56	85
Synthetic Sweeteners	271,327	230,538	0.08	85	-4.1	-3.8	172,212	0.08	37,887	22.0	282,927	239,644	0.09	85
Table Syrup	476,376	356,155	0.13	75	4.0	4.1	283,143	0.13	48,417	17.1	458,054	342,128	0.12	75
Total Dry Grocery—Food	**125,270,531**	**80,632,435**	**28.84**	**64**	**3.0**	**4.3**	**57,563,417**	**26.99**	**10,991,770**	**19.1**	**121,564,599**	**77,316,248**	**29.10**	**63**
Total Foods	**321,890,170**	**211,577,756**	**75.68**	**66**	**3.2**	**3.9**	**162,887,416**	**76.36**	**38,261,412**	**23.5**	**312,027,624**	**203,590,472**	**76.67**	**65**

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18 Margarine included with dairy

19 Excludes "breakfast drinks" listed separately

20 Includes chocolate syrup-based drinks, malted milk items and other non-refrigerated items, but excludes chocolate syrup

21 Includes bulk nuts

DRY GROCERY—NONFOOD

CONTINUED

(add 000 to all dollar figures)	1986										1985			
	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage Change from '85 to '86 Total[1]	Percentage Change from '85 to '86 Grocery[2]	Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
DRY GROCERY (NONFOOD)														
Home Canning Supplies	**$114,992**	**$93,895**	**0.03**	**82**	**-0.4**	**-0.5**	**$77,839**	**0.04**	**$19,226**	**24.7**	**$115,411**	**$93,365**	**0.03**	**81**
Caps, Lids, Bands	64,940	55,826	0.02	86	1.6	1.3					63,917	55,110	0.02	86
Jars	50,052	37,069	0.01	74	-2.8	-3.1					51,494	38,255	0.01	74
Laundry Supplies	**1,239,315**	**1,140,928**	**0.41**	**92**	**2.8**	**2.8**	**829,977**	**0.39**	**146,379**	**17.6**	**1,205,774**	**1,109,537**	**0.41**	**92**
Bleaches	323,473	301,090	0.04	93	2.6	2.7	212,871	0.10	25,119	11.8	315,129	293,129	0.11	93
Liquid Bleach	*271,693*	*254,223*	*0.09*	*94*	*2.6*	*2.7*					*264,808*	*247,539*	*0.09*	*93*
Dry Bleach	*51,780*	*46,867*	*0.02*	*91*	*2.9*	*2.8*					*50,321*	*45,590*	*0.01*	*81*
Bluing	4,624	3,866	0.00	84	-1.2	-1.3	2,718	0.00	470	17.3	4,680	3,917	0.00	84
Fabric Softeners	659,251	608,957	0.22	92	2.7	2.8	450,628	0.21	85,169	18.9	641,919	592,371	0.22	92
Soil & Stain Removers	158,899	142,870	0.05	90	2.9	2.8	104,438	0.05	22,036	21.1	154,421	138,979	0.05	90
Laundry Starch	93,068	84,145	0.03	90	3.8	3.7	59,322	0.03	13,585	22.9	89,625	81,141	0.03	91
Dry Starch	*2,941*	*2,649*	*0.00*	*90*	*-5.6*	*-5.2*					*3,115*	*2,794*	*0.00*	*90*
Liquid Starch	*12,106*	*11,202*	*0.00*	*93*	*-6.7*	*-6.9*					*12,975*	*12,032*	*0.00*	*93*
Spray Starch	*78,021*	*70,294*	*0.03*	*90*	*6.1*	*6.0*					*73,535*	*66,315*	*0.03*	*90*
Soaps & Detergents	**5,944,863**	**5,401,798**	**1.93**	**91**	**1.5**	**1.6**	**4,137,492**	**1.94**	**587,392**	**14.2**	**5,858,702**	**5,318,404**	**2.00**	**91**
Cleansers (Scouring)	281,183	220,911	0.08	79	-5.4	-5.2	160,602	0.08	33,084	20.6	297,234	233,029	0.08	78
Laundry Bar Soaps	4,935	3,924	0.00	80	-0.7	-0.5	3,037	0.00	—	—	4,970	3,944	0.00	79
Soap Flakes, Chips, Powder	42,232	39,939	0.01	95	-2.9	-2.8	29,235	0.01	3,918	13.4	43,493	41,089	0.01	94
Liquid Detergents	1,864,401	1,751,346	0.63	94	3.2	3.5	1,400,635	0.66	181,522	13.0	1,807,234	1,692,822	0.63	94
Heavy Duty	*633,668*	*592,152*	*0.21*	*93*	*5.5*	*5.8*	*480,235*	*0.23*	*600,029*	*12.5*	*600,633*	*559,690*	*0.21*	*93*
Other Liquid Detergents[22]	*1,230,733*	*1,159,194*	*0.41*	*94*	*2.0*	*2.3*	*920,400*	*0.43*	*121,493*	*13.2*	*1,206,601*	*1,133,132*	*0.42*	*94*
Other Detergents	2,375,069	2,260,184	0.81	95	-0.9	-0.7	1,721,406	0.81	204,896	11.9	2,396,739	2,276,341	0.85	95
Dishwashing Compounds	*470,950*	*416,270*	*0.15*	*88*	*6.6*	*6.9*	*325,393*	*0.15*	*46,283*	*14.2*	*441,792*	*389,401*	*0.14*	*88*
Other Dry Low Sudsing	*816,796*	*775,206*	*0.28*	*95*	*-3.9*	*-3.6*	*582,180*	*0.27*	*63,458*	*10.9*	*849,944*	*804,156*	*0.30*	*95*
Other Dry Detergents	*1,087,323*	*1,068,708*	*0.38*	*98*	*-1.6*	*-1.3*	*813,287*	*0.38*	*95,155*	*11.7*	*1,105,003*	*1,082,784*	*0.40*	*98*
Toilet Soaps & Detergents	1,238,329	1,045,957	0.37	84	5.3	5.1	764,595	0.36	151,390	19.8	1,175,781	995,140	0.37	85
Bath Detergents	*152,171*	*117,802*	*0.04*	*77*	*0.5*	*0.8*					*151,414*	*116,867*	*0.04*	*77*
Bath Soaps	*338,338*	*262,874*	*0.09*	*78*	*2.1*	*1.4*					*331,379*	*259,245*	*0.09*	*78*
Deodorant Soaps & Bars	*517,419*	*510,630*	*0.18*	*99*	*1.2*	*1.8*					*511,284*	*501,601*	*0.18*	*98*
Liquid Soaps	*230,401*	*154,651*	*0.06*	*67*	*26.8*	*31.7*					*181,704*	*117,427*	*0.04*	*65*
Water-Softening Salt	138,714	79,537	0.03	57	4.1	4.6	57,982	0.03	12,582	21.7	133,251	76,039	0.02	57
Other Cleaners, Cleansers & Supplies	**3,165,529**	**2,016,638**	**0.72**	**64**	**2.0**	**2.3**	**1,427,011**	**0.67**	**367,509**	**25.8**	**3,104,329**	**1,971,304**	**0.74**	**64**
All-Purpose Cleaners (Liquid)	676,793	591,920	0.21	87	1.4	2.1	455,186	0.21	95,134	20.9	667,449	579,745	0.21	87
Cellulose Sponges	127,100	94,740	0.03	75	5.1	4.9	67,739	0.03	27,908	41.2	120,932	90,315	0.03	75
Drain Pipe Solvents	29,890	27,821	0.01	93	2.7	2.9	22,173	0.01	4,324	19.5	29,104	27,037	0.01	93
Household Ammonia	47,568	32,899	0.01	69	-0.2	-0.3	23,786	0.01	4,448	18.7	47,663	32,998	0.01	69
Household Brooms	148,837	97,057	0.03	65	1.3	0.5	90,969	0.04	35,114	38.6	146,927	96,574	0.03	66
Mops	195,385	115,572	0.04	59	-0.4	-0.3					196,170	115,920	0.04	59
Spot Cleaning Fluids	41,044	17,289	0.01	42	8.3	7.6	12,223	0.01	3,716	30.4	37,898	16,068	0.00	42
Household Disinfectants	259,523	195,886	0.07	75	1.0	1.4	141,430	0.07	29,700	21.0	257,058	193,203	0.07	75
Aerosol	*206,346*	*152,455*	*0.05*	*74*	*1.0*	*1.5*					*204,303*	*150,202*	*0.05*	*74*
Non-Aerosol	*53,177*	*43,431*	*0.02*	*82*	*0.8*	*1.0*					*52,755*	*43,001*	*0.01*	*82*
Household Deodorizers	307,650	180,716	0.06	59	2.7	6.6	130,838	0.06	32,185	24.6	299,693	169,560	0.06	57
Aerosol, Room	*86,093*	*62,667*	*0.02*	*73*	*0.3*	*1.0*					*85,835*	*62,047*	*0.02*	*72*
Non-Aerosol, Room	*221,557*	*118,049*	*0.04*	*53*	*3.6*	*9.8*					*213,858*	*107,513*	*0.04*	*50*
Rug Cleaners	71,257	51,911	0.02	73	-1.9	-1.6	38,726	0.02	10,184	26.3	72,637	52,755	0.01	73
Oven Cleaners	65,139	61,415	0.02	94	-3.8	-3.6	46,553	0.02	9,497	20.4	67,712	63,709	0.02	94
Steel Wool & Wire Sponges	116,086	106,617	0.04	92	0.3	0.4	75,911	0.04	18,370	24.2	115,739	106,192	0.03	92
Toilet Bowl Cleaners	108,110	92,611	0.03	86	3.5	3.8	66,124	0.03	15,605	23.6	104,454	89,221	0.03	85
Vacuum Cleaner Bags	727,069	165,096	0.06	23	2.6	2.3	120,190	0.06	52,643	43.8	708,644	161,384	0.06	23
Wall & Floor Cleaners[23]	54,359	47,766	0.02	88	4.5	4.2	34,057	0.02	7,254	21.3	52,018	45,841	0.01	88
Window Cleaners	88,817	76,714	0.03	86	7.2	6.3	54,620	0.03	11,525	21.1	82,852	72,167	0.02	87
All Other Cleaners[24]	100,902	60,608	0.02	60	3.3	3.4	46,486	0.02	9,902	21.3	97,679	58,615	0.02	60
Paper, Plastic, Foil Products	**10,989,851**	**9,396,260**	**3.36**	**85**	**2.6**	**2.6**	**6,997,463**	**3.28**	**1,026,914**	**14.7**	**10,706,300**	**9,159,046**	**3.44**	**86**
Cleansing & Facial Tissues	872,375	776,497	0.28	89	0.7	0.5	674,776	0.32	112,013	16.6	866,311	722,634	0.29	89
Coffee Filters	79,144	77,119	0.03	97	2.3	6.0	57,299	0.03	16,216	28.3	77,365	72,754	0.02	94
Disposable Diapers[25]	2,834,025	2,040,195	0.73	72	2.2	1.9	1,452,619	0.68	74,036	5.1	2,773,019	2,002,154	0.75	72
Freezer Paper	19,388	16,239	0.01	84	2.5	2.8	12,001	0.01	3,456	28.8	18,915	15,797	0.00	81
Paper Cups[26]	370,047	292,249	0.10	79	3.0	2.9	248,704	0.12	66,901	26.9	359,269	284,013	0.10	79
Paper Napkins	414,542	392,152	0.14	95	1.4	1.2	313,329	0.15	66,739	21.3	408,819	387,502	0.14	95
Paper Plates[26]	556,205	450,485	0.16	81	7.1	7.6	337,864	0.16	85,480	25.3	519,332	418,666	0.15	81
Paper Towels	1,686,714	1,565,476	0.56	93	3.2	3.0	1,064,524	0.50	150,098	14.1	1,634,413	1,519,880	0.57	93
Pre-Moistened Wipes[27]	152,053	124,459	0.04	82	8.4	8.8	92,349	0.04	21,425	23.2	140,270	114,392	0.04	82
Sandwich Bags	7,820	7,174	0.00	92	1.1	1.3	5,229	0.00	1,213	23.0	7,735	7,082	0.00	92
Toilet Paper	2,392,520	2,299,319	0.82	96	2.0	2.1	1,632,516	0.77	191,004	11.7	2,345,608	2,252,026	0.84	96
Waxed Paper	38,975	33,574	0.01	86	-3.5	-3.4	24,778	0.01	5,773	23.3	40,389	34,756	0.01	86
Other Paper Products	92,122	26,374	0.01	29	0.8	1.6	19,148	0.01	4,136	21.6	92,865	26,803	0.01	29
Household Aluminum Foil	421,956	375,704	0.13	89	-2.1	-2.2	298,685	0.14	52,559	17.6	431,007	384,155	0.14	89

22 Includes dishwashing liquids

23 Excludes liquids

24 Includes borax, water softeners and similar products

25 Includes adult diapers

26 Includes plastic and other non-paper disposables

27 Includes baby wipes

DRY GROCERY—NONFOOD

CONTINUED

(add 000 to all dollar figures)	1986										1985			
	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage Change from '85 to '86 Total[1]	Percentage Change from '85 to '86 Grocery[2]	Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
Disposable Aluminum Cookware	168.063	129.334	0.05	77	5.9	6.5	107,089	0.05	26,237	24.5	158,700	121,440	0.04	77
Plastic Bags	595.959	527.953	0.19	89	4.7	4.5	490.996	0.23	117,997	24.0	569,321	505,324	0.19	89
Garbage Disposal Bags	*331.085*	*292.268*	*0.10*	*88*	*1.6*	*1.5*	*271.809*	*0.13*	*66,050*	*24.3*	*325,871*	*288,303*	*0.10*	*88*
Food & Other Bags	*264.874*	*235.685*	*0.08*	*89*	*8.8*	*8.6*	*219,187*	*0.10*	*51,947*	*23.7*	*243,450*	*217,021*	*0.08*	*89*
Plastic Film Wraps	287.943	261.957	0.09	91	9.5	9.3	165,557	0.08	31,621	19.1	262,962	239,668	0.09	91
Pesticides	**532,073**	**339.493**	**0.12**	**64**	**2.4**	**2.2**	**257,675**	**0.12**	**72,407**	**28.1**	**418,910**	**286,918**	**0.10**	**68**
Aerosol	295.819	203.384	0.07	69	3.3	2.9					286,369	197,652	0.07	69
Liquid (Non-Aerosol)	55.972	39.338	0.01	70	2.6	2.1					54,554	38,529	0.01	71
Pastes, Solids, Strips	35.642	24.375	0.01	68	-1.6	-2.0					36,222	24,872	0.01	69
Personal Insect Repellants	41.640	26.046	0.01	63	-0.3	0.7					41,765	25,865	0.01	62
Non-Chemical Pest Control[28]	103.000	46.350	0.02	45	10.0	11.3					—	—	—	—
Waxes & Polishes	**401,626**	**311,130**	**0.11**	**77**	**-2.6**	**-2.4**	**216,537**	**0.10**	**47,966**	**22.2**	**412,305**	**318,710**	**0.11**	**77**
Furniture Polish	248.384	191,701	0.07	77	-1.9	-1.7	130,548	0.06	27,415	21.0	235,195	195,016	0.07	77
Liquid Floor Wax	7,167	4,191	0.00	58	0.0	0.3					7,167	4,176	0.00	58
Paste Floor Wax	4,678	3,075	0.00	66	-2.7	-2.8	85,989	0.04	20,551	23.9	4,808	3,164	0.00	66
Self-Polishing Floor Wax	141,397	112,163	0.04	79	-3.9	-3.6					147,135	116,352	0.04	79
Other Household Supplies	**2,657,539**	**1,276,297**	**0.46**	**48**	**1.3**	**0.7**	**725,506**	**0.34**	**230,376**	**31.8**	**2,623,140**	**1,267,513**	**0.47**	**48**
Charcoal Briquettes	356,376	313,363	0.11	88	-1.6	-1.4	177,677	0.08	30,916	17.4	362,171	317,812	0.13	88
Charcoal Lighter	120,595	86,781	0.03	72	-4.7	-4.8	57,623	0.03	13,714	23.8	126,543	91,157	0.03	72
Electric Christmas Bulbs & Sets	257,964	30,257	0.01	12	2.7	2.8	18,124	0.01	7,268	40.1	251,182	29,433	0.01	12
Electric Light Bulbs[29]	1,169,306	492,232	0.18	42	3.1	2.6	268,266	0.13	108,379	40.2	1,134,147	479,759	0.18	42
Fireplace Logs	78,271	53,538	0.02	68	6.1	7.8	46,203	0.02	10,719	23.2	73,771	49,664	0.01	67
Household Glue	24,944	3,367	0.00	13	4.2	3.1	1,939	0.00	700	36.1	23,944	3,266	0.00	14
Household Tints & Dyes	49,088	4,482	0.00	9	2.3	2.5	2,613	0.00	972	37.2	47,984	4,373	0.00	9
Matches[30]	39,814	30,004	0.01	75	-2.7	-1.1	18,032	0.01	6,149	34.1	40,919	30,338	0.01	74
Shoe Polish	239,161	73,901	0.03	31	0.0	0.6	44,119	0.02	19,456	44.1	239,161	73,460	0.02	31
Gloves	147,007	103,062	0.04	70	-4.8	-2.8	61,734	0.03	24,138	39.1	154,387	106,064	0.03	69
Household Gloves	*60.397*	*22,655*	*0.01*	*38*	*-5.6*	*-5.3*					*63,980*	*23,932*	*0.01*	*37*
Rubber Gloves	*86,610*	*80,407*	*0.03*	*93*	*-4.2*	*-2.1*					*90,407*	*82,132*	*0.03*	*91*
Household Supplies, n.c.e.	175,013	85,310	0.03	49	3.6	3.8	29,176	0.01	7,965	27.3	168,931	82,187	0.03	49
Pet Foods[31]	**6,007,973**	**5,541,732**	**1.98**	**92**	**1.3**	**0.7**	**4,000,626**	**1.88**	**670,866**	**16.8**	**5,932,800**	**5,503,580**	**2.07**	**93**
Canned Pet Food	1,991,829	1,911,468	0.68	96	2.3	2.3	1,386,429	0.65	251,989	18.2	1,946,411	1,868,425	0.70	96
Canned Cat Food	*1,084,239*	*1,052,915*	*0.38*	*97*	*4.1*	*4.8*	*775,998*	*0.36*	*148,216*	*19.1*	*1,041,536*	*1,004,690*	*0.37*	*96*
Canned Dog Food	*907,590*	*858,553*	*0.31*	*95*	*0.3*	*-0.6*	*610,431*	*0.29*	*103,773*	*17.0*	*904,875*	*863,735*	*0.32*	*95*
Dry Pet Food	2,814,315	2,584,385	0.92	92	1.4	0.4	1,832,329	0.86	263,804	14.4	2,774,758	2,574,660	0.96	93
Dry Cat Food	*805,618*	*754,622*	*0.27*	*94*	*6.0*	*5.8*	*535,027*	*0.25*	*92,560*	*17.3*	*760,017*	*713,253*	*0.26*	*94*
Dry Dog Food	*2,008,697*	*1,829,763*	*0.65*	*91*	*-0.3*	*-1.7*	*1,297,302*	*0.61*	*171,244*	*13.2*	*2,014,741*	*1,861,407*	*0.70*	*92*
Semi-Moist Pet Food	470,672	431,492	0.15	92	-6.7	-7.4	323,460	0.15	54,937	17.0	504,224	466,119	0.17	92
Semi-Moist Cat Food	*266,274*	*240,386*	*0.09*	*90*	*-7.0*	*-8.0*	*170,193*	*0.08*	*28,422*	*16.7*	*286,316*	*261,289*	*0.09*	*91*
Semi-Moist Dog Food	*204,398*	*191,106*	*0.07*	*93*	*-6.2*	*-6.7*	*153,267*	*0.07*	*26,515*	*17.3*	*217,908*	*204,830*	*0.07*	*94*
Pet Snacks	336,979	322,142	0.12	96	1.5	2.1	230,009	0.11	46,462	20.2	331,999	315,516	0.11	95
Cat Litter	394,178	292,245	0.10	74	5.0	4.8	228,399	0.11	53,674	23.5	375,408	278,860	0.10	74
Tobacco Products	**26,135,046**	**11,173,452**	**4.00**	**43**	**3.9**	**4.1**	**7,846,316**	**3.68**	**1,102,351**	**14.1**	**25,161,364**	**10,736,110**	**4.04**	**43**
Cigarettes	24,391,706	10,591,533	3.79	43	4.3	4.4	7,731,819	3.62	1,082,455	14.0	23,388,850	10,147,679	3.82	43
Filter-Tipped Cigarettes	*23,045,962*	*9,968,441*	*3.57*	*43*	*4.7*	*4.8*					*22,011,425*	*9,511,871*	*3.58*	*43*
Other Cigarettes	*1,345,144*	*623,092*	*0.22*	*46*	*-2.1*	*-2.0*					*1,377,425*	*635,808*	*0.23*	*46*
Cigars	618,232	76,067	0.03	12	-2.8	-3.1	39,631	0.02	7,768	19.6	636,041	78,500	0.02	12
Tobacco & Snuff	1,125,108	505,852	0.18	45	-1.0	-0.8	74,866	0.04	12,128	16.2	1,136,473	509,931	0.19	45
Total Dry Grocery (Nonfood)	**57,188,807**	**36,691,623**	**13.12**	**64**	**2.8**	**2.5**	**26,516,442**	**12.43**	**4,271,386**	**16.1**	**55,539,035**	**35,764,487**	**13.46**	**64**

HEALTH & BEAUTY AIDS

(add 000 to all dollar figures)	1986										1985			
	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage Change from '85 to '86 Total[1]	Percentage Change from '85 to '86 Grocery[2]	Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
Dieting Aids	**$426,417**	**$203,997**	**0.07**	**48**	**1.2**	**1.4**	**60,179**	**0.03**	**16,670**	**27.7**	**$421,313**	**$201,169**	**0.07**	**48**
Diet Supplements	117.710	78,496	0.03	67	12.2	12.6					104.911	69,712	0.02	66
Metered Calorie Meals[32]	99.258	70,140	0.03	71	-10.3	-10.1					110,656	78,020	0.02	71
Reducing Preparations	209.449	55,361	0.02	26	1.8	3.6					205,746	53,437	0.02	26

[28] Includes mouse and other traps

[29] 200 watt and under, including non-residential use. Grocery store sales are estimated to be 70 percent residential

[30] Includes wooden and book matches

[31] Bird food and other pet accessories listed under General Merchandise

n.c.e. Not classified elsewhere

— Not Available

[32] Does not include frozen foods

HEALTH & BEAUTY AIDS

CONTINUED

(add 000 to all dollar figures)	1986										1985			
	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage Change from '85 to '86 Total[1]	Percentage Change from '85 to '86 Grocery[2]	Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
Cosmetics	**4,599,597**	**601,614**	**0.22**	**13**	**4.4**	**6.7**	**445,467**	**0.21**	**152,054**	**34.1**	**4,406,325**	**563,863**	**0.21**	**13**
Eye Makeup Products	2,472,882	515,556	0.18	21	3.7	6.7	378,934	0.18	128,838	34.0	2,385,550	483,131	0.18	20
Eye Shadow	*978,009*	*213,463*	*0.08*	*22*	*-3.6*	*1.7*					*1,014,532*	*209,895*	*0.07*	*21*
Eyeliner	*246,050*	*50,273*	*0.02*	*20*	*5.8*	*8.7*					*232,561*	*46,249*	*0.01*	*20*
Mascara	*1,016,712*	*206,445*	*0.07*	*20*	*11.4*	*12.8*					*912,668*	*183,019*	*0.06*	*20*
Other Eye Preparations & Accessories[33]	*232,111*	*45,375*	*0.02*	*20*	*2.8*	*3.2*					*225,789*	*43,968*	*0.01*	*19*
Lipstick (& Glosses)	1,297,118	44,137	0.02	3	5.3	4.8	34,471	0.02	11,582	33.6	1,231,825	42,115	0.01	34
Makeup Bases	677,701	35,105	0.01	5	4.4	8.5	26,820	0.01	9,789	36.5	649,211	32,364	0.01	5
Cake	*69,709*	*3,574*	*0.00*	*5*	*5.1*	*4.6*					*66,326*	*3,417*	*0.00*	*5*
Cream	*189,612*	*9,123*	*0.00*	*5*	*2.6*	*4.8*					*184,807*	*8,705*	*0.00*	*5*
Lotion	*418,380*	*22,408*	*0.01*	*5*	*5.1*	*10.7*					*398,078*	*20,242*	*0.00*	*5*
Pressed Cake Powder & Blush	151,896	6,816	0.00	4	8.7	9.0	5,242	0.00	1,845	35.2	139,739	6,253	0.00	4
Family Planning[34]	**452,000**	**44,670**	**0.02**	**10**	**23.0**	**20.7**	**40,521**	**0.02**	**15,533**	**38.3**	**NA**	**NA**	**NA**	**NA**
Condoms	150,000	19,500	0.01	13	20.0	16.1	16,634	0.01	7,885	47.4	NA	NA	NA	NA
*Female Contraceptives[34]	62,000	8,370	0.00	14	5.8	6.3	7,709	0.00	2,374	30.8	NA	NA	NA	NA
Home Pregnancy Tests	240,000	16,800	0.01	7	27.0	36.2	16,178	0.01	5,274	32.6	NA	NA	NA	NA
Feminine Hygiene Products	**1,657,499**	**993,183**	**0.36**	**60**	**7.8**	**8.2**	**868,015**	**0.41**	**162,316**	**18.7**	**1,538,014**	**918,256**	**0.34**	**60**
Douches	60,423	22,004	0.01	36	7.1	7.7	20,750	0.01	5,395	26.0	56,393	20,434	0.00	36
Liquid Douches	*37,108*	*12,266*	*0.00*	*33*	*6.8*	*7.2*					*34,745*	*11,442*	*0.00*	*33*
Powder Douches	*23,315*	*9,738*	*0.00*	*42*	*7.7*	*8.3*					*21,648*	*8,992*	*0.00*	*42*
Sanitary Napkins	1,062,106	658,145	0.24	62	6.2	6.6	615,366	0.29	124,919	20.3	1,000,100	617,397	0.23	62
Tampons	534,970	312,954	0.11	58	11.1	11.6	231,899	0.11	32,002	13.8	481,521	280,425	0.10	58
Hair Products	**4,024,522**	**1,580,358**	**0.57**	**39**	**3.5**	**3.0**	**1,443,982**	**0.68**	**402,069**	**27.8**	**3,888,755**	**1,534,469**	**0.57**	**39**
Coloring Preparations	661,722	94,670	0.03	14	5.8	4.6	85,298	0.04	21,580	25.3	625,446	90,507	0.03	14
Cream Rinses	149,509	84,280	0.03	56	0.2	0.9	83,478	0.04	18,031	21.6	149,211	83,528	0.03	56
Dandruff Rinses	16,158	5,869	0.00	36	0.8	1.9					16,030	5,760	0.00	36
Men's Hair Dressings	136,283	68,401	0.02	50	-0.4	0.7	63,066	0.03	17,469	27.7	136,805	67,905	0.02	50
Men's Hair Spray	*40,436*	*17,507*	*0.01*	*43*	*-8.7*	*-8.3*					*44,289*	*19,092*	*0.00*	*43*
Other Men's Hair Dressings	*95,847*	*50,894*	*0.02*	*53*	*3.6*	*4.2*					*92,516*	*48,843*	*0.01*	*53*
Shampoos	1,216,281	761,671	0.27	63	0.4	1.4	706,069	0.33	177,223	25.1	1,211,896	751,063	0.28	62
Baby Shampoo	*82,636*	*62,966*	*0.02*	*76*	*4.3*	*8.9*					*79,229*	*57,820*	*0.02*	*73*
Color Shampoo	*10,158*	*2,549*	*0.00*	*25*	*-14.2*	*-13.0*					*11,839*	*2,930*	*0.00*	*25*
Medicated Shampoo	*318,489*	*172,845*	*0.06*	*54*	*1.1*	*1.6*					*315,024*	*170,123*	*0.06*	*54*
Other Shampoo	*804,998*	*523,311*	*0.19*	*65*	*-0.1*	*0.6*					*805,804*	*520,190*	*0.19*	*65*
Barrettes	86,226	11,218	0.00	13	8.0	8.9					79,839	10,301	0.00	13
Bobby Pins	39,826	10,352	0.00	26	-1.6	-1.2					40,474	10,478	0.00	26
Combs[35]	174,256	19,738	0.01	11	11.9	13.6					155,725	17,375	0.00	11
Curlers & Rollers	142,367	27,734	0.01	19	1.2	1.9	173,516	0.08	82,073	47.3	140,679	27,217	0.01	19
Hair Brushes	310,333	102,607	0.04	33	5.3	4.8					294,713	97,909	0.03	33
Hair Nets	36,761	4,161	0.00	11	-1.3	-1.8					37,245	4,237	0.00	11
Pin Curl Clips	29,460	9,949	0.00	34	0.0	0.3					29,460	9,919	0.00	34
Pony Tailers	79,896	8,984	0.00	11	0.0	0.7					79,896	8,922	0.00	11
Home Permanent Kits, Refills	138,291	26,717	0.01	19	-2.4	-1.6	23,645	0.01	6,408	27.1	141,692	27,151	0.01	19
Waveset Preparations	38,990	11,021	0.00	28	14.6	15.1	8,651	0.00	2,293	26.5	34,023	9,575	0.00	28
Women's Hair Dressings & Conditioners	312,145	137,973	0.05	44	3.8	2.6	119,899	0.06	30,574	25.5	300,718	134,477	0.05	45
Women's Hair Spray	401,817	181,283	0.06	45	10.3	9.7	169,500	0.08	43,562	25.7	364,295	165,253	0.06	45
Other Hair Dressings	54,201	13,730	0.00	25	7.1	6.5	10,860	0.01	2,856	26.3	50,608	12,892	0.00	25
Health Aids	**1,091,594**	**503,030**	**0.18**	**46**	**2.4**	**2.4**	**4,085,570**	**0.19**	**123,482**	**30.2**	**1,066,034**	**491,425**	**0.18**	**46**
Baby Oils & Lotions	110,654	88,655	0.03	80	1.1	0.6	72,786	0.03	20,816	28.1	111,885	89,190	0.03	80
Baby Pants	77,267	11,150	0.00	14	-6.8	-11.0	9,143	0.00	3,685	40.3	82,904	12,528	0.00	15
Baby Powder	92,674	44,851	0.02	48	1.5	1.3	36,823	0.02	8,653	23.5	91,304	44,275	0.01	48
Cotton Swabs	92,040	56,241	0.02	61	4.7	5.2	46,118	0.02	14,112	30.6	87,908	53,461	0.02	61
Diaper Rash Products	31,964	17,709	0.01	55	2.1	2.8	14,539	0.01	4,100	28.2	31,307	17,227	0.00	55
Fever Thermometers	33,733	11,297	0.00	33	5.5	5.8	9,286	0.00	3,269	35.2	31,974	10,678	0.00	33
First Aid Products	531,645	237,421	0.08	45	2.7	2.9	192,311	0.09	58,847	30.6	517,675	230,619	0.08	45
Adhesive Bandages	*207,600*	*107,654*	*0.04*	*52*	*2.5*	*2.8*					*202,537*	*104,722*	*0.03*	*52*
Adhesive Tape	*74,078*	*43,688*	*0.02*	*59*	*0.8*	*1.6*					*74,675*	*43,000*	*0.01*	*58*
Cotton Balls	*76,600*	*27,880*	*0.01*	*36*	*6.1*	*6.3*					*72,196*	*26,228*	*0.01*	*36*
First Aid Kits	*39,902*	*21,213*	*0.01*	*53*	*-1.3*	*-0.7*					*40,428*	*21,363*	*0.00*	*53*
Gauze Bandages	*46,103*	*11,225*	*0.00*	*24*	*4.3*	*4.9*					*44,207*	*10,701*	*0.00*	*24*
Gauze Dressings	*53,879*	*11,713*	*0.00*	*22*	*4.8*	*5.3*					*51,411*	*11,123*	*0.00*	*22*
Other First Aid Cotton	*33,478*	*14,048*	*0.01*	*42*	*3.9*	*4.2*					*32,221*	*13,482*	*0.00*	*42*
Nipples & Pacifiers	39,515	14,719	0.01	37	8.9	6.5	11,641	0.01	4,272	36.7	36,515	13,821	0.00	38
Nursing Bottles	39,771	6,129	0.00	15	9.6	6.3	5,032	0.00	1,796	35.7	36,288	5,766	0.00	16
Disposable Bottle Liners	42,331	14,858	0.01	35	10.6	7.2	10,891	0.01	3,932	36.1	38,274	13,860	0.00	36

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[33] Includes false eyelashes, adhesives, brushes, tweezers, etc.

[34] Includes sponges and all other non-Rx contraceptives.

[35] Includes comb clips.

CONSUMER · EXPENDITURES · STUDY

HEALTH & BEAUTY AIDS

CONTINUED

(add 000 to all dollar figures)	1986										1985			
	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage Change from '85 to '86 Total[1]	Percentage Change from '85 to '86 Grocery[2]	Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
Nail Care Products[36]	**527,697**	**98,037**	**0.04**	**19**	**4.1**	**6.7**	**77,645**	**0.04**	**29,117**	**37.5**	**507,084**	**91,907**	**0.03**	**16**
Manicure Implements	161,158	43,474	0.02	27	3.1	5.1					156,312	41,364	0.01	26
Nail Polish & Enamel	311,544	42,643	0.02	14	4.8	8.9					297,275	39,158	0.01	13
Nail Polish Remover	54,995	11,920	0.00	22	2.8	4.7					53,497	11,385	0.00	21
Oral Hygiene Products	**2,321,163**	**1,266,578**	**0.45**	**55**	**3.3**	**3.2**	**1,102,424**	**0.52**	**216,117**	**19.6**	**2,247,135**	**1,227,583**	**0.46**	**55**
Denture Products	298,504	124,453	0.04	42	1.6	2.1	105,536	0.05	27,756	26.3	293,682	121,839	0.04	41
Denture Adhesives	*135,966*	*50,756*	*0.02*	*37*	*1.1*	*2.8*					*134,487*	*49,374*	*0.01*	*37*
Denture Cleansers	*162,538*	*73,697*	*0.03*	*45*	*2.1*	*1.7*					*159,195*	*72,465*	*0.02*	*46*
Mouthwashes & Gargles	517,520	281,673	0.10	54	5.8	9.6	244,210	0.11	44,935	18.4	489,149	257,001	0.09	53
Breath Fresheners[37]	19,931	10,314	0.00	52	4.8	4.7	8,499	0.00	2,890	34.0	19,018	9,851	0.00	52
Toothbrushes	317,497	108,276	0.04	34	7.9	10.8	89,111	0.04	29,585	33.2	294,251	97,722	0.03	33
Toothpaste & Powder	1,101,842	714,406	0.26	65	1.2	-0.1	635,107	0.03	102,887	16.2	1,088,777	715,121	0.26	66
Dental Floss	65,869	27,456	0.01	42	5.8	5.4	19,961	0.01	8,064	40.4	62,258	26,049	0.01	42
Packaged Medications	**6,889,543**	**2,341,711**	**0.84**	**34**	**7.3**	**8.7**	**1,963,110**	**0.92**	**463,454**	**23.6**	**6,296,914**	**2,154,763**	**0.81**	**34**
Acne Preparations	187,295	35,213	0.01	19	2.1	2.8	29,192	0.01	8,991	30.8	183,443	34,254	0.01	17
Aerosol Antiseptics	65,373	12,432	0.00	19	12.8	13.6					57,955	10,944	0.00	19
Athlete's Foot Medications	96,711	24,581	0.01	25	11.3	13.1					86,892	21,734	0.00	25
Burn Remedies	48,977	13,808	0.00	28	1.9	1.6					48,064	13,591	0.00	28
External Antiseptics	25,185	5,159	0.00	20	10.9	10.7	64,575	0.03	22,343	34.6	22,710	4,600	0.00	20
Foot Salves, Ointments	61,109	14,130	0.01	23	9.9	9.7					55,604	12,881	0.00	23
Poison Ivy Remedies	44,782	10,407	0.00	23	18.9	18.6					37,664	8,775	0.00	23
Antacids	426,543	225,586	0.08	53	7.2	9.4	196,260	0.09	48,084	24.5	397,833	206,171	0.07	52
Effervescent Antacids	*184,627*	*96,808*	*0.03*	*52*	*6.8*	*7.6*					*172,872*	*89,970*	*0.03*	*52*
Liquid Antacids	*107,216*	*49,520*	*0.02*	*46*	*3.5*	*7.0*					*103,590*	*46,280*	*0.01*	*45*
Powder Antacids	*5,186*	*2,266*	*0.00*	*44*	*3.6*	*5.8*					*5,006*	*2,142*	*0.00*	*43*
Tablets, Pills, Gum, Lozenges	*129,514*	*76,992*	*0.03*	*59*	*11.3*	*13.6*					*116,365*	*67,775*	*0.02*	*58*
Cold Capsules, Tablets	652,337	347,499	0.12	53	11.9	14.3	285,644	0.13	63,413	22.2	582,964	304,024	0.11	52
Cough Medications	1,240,278	242,426	0.09	20	2.8	3.5	212,365	0.10	54,365	25.6	1,206,086	234,299	0.08	19
Cough Drops, Lozenges, Troches	*355,542*	*82,731*	*0.03*	*23*	*4.0*	*4.7*					*341,726*	*78,998*	*0.02*	*23*
Cough Drops	216,344	74,036	0.03	34	4.2	4.8					207,624	70,645	0.02	34
Lozenges, Troches	139,198	8,695	0.00	6	3.8	4.1					134,102	8,353	0.00	6
Salves, Ointments[38]	*57,552*	*20,973*	*0.01*	*36*	*0.6*	*0.9*					*57,209*	*20,786*	*0.00*	*36*
Syrups, Elixirs, Expectorants	*570,586*	*118,610*	*0.04*	*21*	*1.9*	*2.8*					*559,947*	*115,379*	*0.04*	*21*
Other Cough & Cold Remedies[39]	*256,598*	*20,112*	*0.01*	*8*	*3.8*	*5.1*					*247,204*	*19,136*	*0.00*	*8*
Nasal Sprays & Drops	176,069	22,027	0.01	13	3.6	4.9	18,877	0.01	5,569	29.5	169,651	20,998	0.00	12
Analgesics	2,292,090	996,798	0.36	43	6.7	7.4	822,472	0.39	180,712	22.0	2,020,725	889,474	0.33	44
Internal Analgesics	*2,026,980*	*917,481*	*0.33*	*45*	*7.2*	*7.8*	*756,004*	*0.35*	*163,297*	*21.6*	*1,890,011*	*851,277*	*0.32*	*45*
Arthritic	91,368	29,281	0.33	32	6.4	6.8					85,872	27,417	0.01	32
Extra Strength	957,117	468,609	0.17	49	7.9	8.4					887,041	432,296	0.16	49
Menstrual Pain	61,269	28,085	0.01	46	7.2	8.0					57,154	26,005	0.00	46
Pediatric	97,271	40,363	0.01	41	4.2	4.7					93,350	38,551	0.01	41
Regular Strength	659,769	282,909	0.10	43	7.0	7.4					616,607	263,416	0.09	43
Sinus	160,186	68,234	0.02	43	6.8	7.3	66,468	0.03	17,415	26.2	149,987	63,592	0.02	42
External Analgesics	*265,110*	*79,317*	*0.03*	*30*	*0.9*	*0.6*					*NA*	*NA*	*NA*	*NA*
Mouth Analgesics[40]	135,572	41,349	0.01	30	12.5	16.3					NA	NA	NA	NA
Other External Analgesics	129,538	37,968	0.01	29	0.9	0.6					130,714	38,197	0.01	29
Diarrhea Remedies	129,913	68,896	0.02	53	12.8	14.6	62,420	0.03	14,794	23.7	115,171	60,119	0.02	52
Hemorrhoidal Medications	177,283	51,233	0.02	29	3.2	4.5	46,520	0.02	10,095	21.7	171,737	49,045	0.01	29
Hemorrhoidal Suppositories	*102,276*	*30,342*	*0.01*	*30*	*2.6*	*4.3*					*99,684*	*29,092*	*0.01*	*29*
Hemorrhoidal Ointments	*75,007*	*20,891*	*0.01*	*28*	*4.1*	*4.7*					*72,053*	*19,953*	*0.00*	*28*
Laxatives	541,211	126,845	0.05	23	3.0	4.1	106,803	0.05	23,924	22.4	525,448	121,849	0.04	23
Eye Lotions, Washes[41]	128,494	62,802	0.02	49	4.7	6.9	52,188	0.02	11,690	22.4	122,726	58,748	0.02	48
Contact Lens Care Products	533,984	54,419	0.02	10	23.1	37.6	43,916	0.02	12,736	29.0	433,781	39,549	0.01	9
Sleeping Aids (non-Rx)	61,909	27,450	0.01	44	5.9	7.6	21,878	0.01	6,738	30.8	58,460	25,511	0.00	44
Personal Cleanliness Products	**194,539**	**43,579**	**0.02**	**22**	**11.5**	**16.1**	**34,892**	**0.02**	**9,329**	**26.7**	**174,449**	**37,540**	**0.01**	**22**
Bath Salts, Tablets, Oils, Bubble Bath	121,936	34,472	0.01	28	15.0	18.8	31,714	0.01	8,468	26.7	106,020	29,005	0.01	27
Bubble Bath	*69,943*	*24,695*	*0.01*	*35*	*30.6*	*29.3*					*53,555*	*19,099*	*0.00*	*36*
Other Salts, Oils, Tablets	*51,993*	*9,777*	*0.00*	*19*	*-0.9*	*1.3*					*52,465*	*9,906*	*0.00*	*19*
Talcum & Body Powder	72,603	9,107	0.00	13	6.1	6.7	3,178	0.00	861	27.1	68,429	8,535	0.00	12
Personal Deodorants, Antiperspirants	**1,131,013**	**628,531**	**0.22**	**56**	**1.3**	**2.6**	**561,907**	**0.26**	**142,162**	**25.3**	**1,116,889**	**612,766**	**0.23**	**55**
Stick Deodorants	454,369	280,842	0.10	62	8.8	9.9					417,619	255,543	0.09	61
Roll-On Deodorants	324,597	149,179	0.05	46	-1.0	-0.7					327,876	150,231	0.05	46
Feminine Sprays	7,433	3,713	0.00	50	-0.8	1.6					7,493	3,655	0.00	49
Other Aerosols	344,614	194,797	0.07	57	-5.3	-4.2					363,901	203,337	0.07	56

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36 Excludes products intended for professional use

37 Liquids and sprays only

38 Excludes analgesics

39 Includes antihistamines, room decongestants, inhaler tubes and other inhalers

40 Includes liquids and salves for use on lips and gums for blisters, teething and tooth pain, and canker sores

41 Includes solutions, cleansing kits, tablets, and cases

HEALTH & BEAUTY AIDS

CONTINUED

(add 000 to all dollar figures)	1986										1985			
	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage Change from '85 to '86		Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
					Total[1]	Grocery[2]								
Shaving Products	**1,697,689**	**575,355**	**0.21**	**34**	**-0.6**	**0.0**	**455,575**	**0.21**	**119,932**	**26.3**	**1,708,261**	**575,369**	**0.21**	**34**
After Shave Lotion	286,735	91,127	0.03	32	-5.3	-3.8	72,628	0.03	20,626	28.4	302,782	94,727	0.03	31
Depilatories	24,923	8,815	0.00	35	-2.9	-2.1	7,034	0.00	2,047	29.1	25,667	8,634	0.00	34
Pre-Shave Products	25,949	10,661	0.00	41	-2.8	-2.5	8,507	0.00	2,280	26.8	26,696	10,934	0.00	41
Razor Blades	404,610	193,129	0.07	48	-2.4	-1.8	153,924	0.07	34,633	22.5	414,559	196,669	0.07	47
Razors (Handles)	41,565	14,440	0.01	35	1.7	1.1	10,989	0.01	2,505	22.8	40,870	14,243	0.00	35
Disposable Razors	250,580	129,246	0.05	52	3.6	7.6	100,553	0.05	32,881	32.7	241,873	120,117	0.04	50
Shaving Cream	242,637	103,378	0.04	43	-1.6	-2.4	81,895	0.04	18,258	22.3	246,582	105,920	0.03	43
Men's Cologne	420,690	24,559	0.01	6	2.8	1.8	20,065	0.01	6,702	33.4	409,232	24,125	0.00	6
Skin Care Products	**1,690,965**	**418,697**	**0.15**	**25**	**4.4**	**5.8**	**333,102**	**0.16**	**91,647**	**27.5**	**1,619,419**	**395,800**	**0.14**	**24**
Face Cream	709,628	143,739	0.05	20	0.7	1.3	265,845	0.12	71,512	26.9	704,695	141,894	0.05	20
Face Lotions & Astringents	116,583	12,999	0.00	11	0.7	0.8					115,773	12,896	0.00	11
Hand & Body Lotions	394,534	158,929	0.06	40	7.6	8.1					366,667	147,020	0.05	40
Hand Creams	29,348	7,353	0.00	25	4.0	4.3					28,219	7,050	0.00	25
Lip Protectors	36,975	10,736	0.00	29	5.6	8.8	8,073	0.00	2,930	36.3	35,014	9,868	0.00	28
Liquid Face Cleansers	108,114	30,647	0.01	28	1.2	1.8	18,572	0.01	5,590	30.1	106,832	30,105	0.01	28
Suntan/Sunscreen Products	295,783	54,294	0.02	18	12.8	15.6	40,612	0.02	11,615	28.6	262,219	46,967	0.01	18
Vitamins & Tonics[42]	**1,517,086**	**564,821**	**0.20**	**37**	**3.6**	**4.3**	**463,153**	**0.22**	**147,283**	**31.8**	**1,464,369**	**541,535**	**0.20**	**36**
Other Health & Beauty Aids[43]	**2,252,252**	**1,009,390**	**0.36**	**45**	**1.8**	**3.3**	**308,873**	**0.14**	**84,322**	**27.3**	**2,212,428**	**977,144**	**0.36**	**43**
Total Health & Beauty Aids (non-Rx)	**30,473,576**	**10,873,471**	**3.89**	**36**	**4.3**	**4.9**	**8,567,415**	**4.02**	**2,175,487**	**25.4**	**28,667,389****	**10,285,392****	**3.88**	**37**
Prescriptions[44]	**20,929,200**	**1,793,189**	**0.64**	**9**	**7.0**	**12.9**	**1,793,189**	**0.84**	**—**	**—**	**19,560,000**	**1,588,613**	**0.59**	**7**
Total HBA & Prescriptions	**51,402,776**	**12,666,660**	**4.53**	**25**	**5.4**	**6.0**	**10,360,604**	**4.86**	**—**	**—**	**48,227,389****	**11,874,005****	**4.48**	**24**

GENERAL MERCHANDISE

(add 000 to all dollar figures)	1986										1985			
	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage Change from '85 to '86		Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
					Total[1]	Grocery[2]								
Audio & Video	**$4,164,930**	**$536,020**	**0.19**	**13**	**9.1**	**10.6**	**$325,364**	**0.15**	**$116,480**	**35.8**	**$3,817,965**	**$267,718**	**0.10**	**7**
Records, Pre-recorded Audio Tapes & Compact Discs[45]	2,383,005	222,897	0.08	9	4.1	6.9					2,298,150	208,510	0.07	9
Blank Audio Cassettes	391,318	14,349	0.01	4	4.8	7.1					373,395	13,398	0.00	4
Blank Video Cassettes	1,390,607	58,774	0.02	—	21.3	28.3					1,146,420	45,810	0.01	4
Video Cassette Rentals[46]	ND	240,000	0.09	—	—	22.3					—	—	—	—
Auto Supplies	**1,994,292**	**371,836**	**0.13**	**19**	**1.2**	**-0.2**	**343,205**	**0.16**	**82,026**	**23.9**	**1,969,839**	**372,461**	**0.14**	**19**
Antifreeze	482,321	90,300	0.03	19	-5.6	-6.7					510,933	96,785	0.03	19
Automobile Polish	166,500	46,105	0.02	28	8.3	11.3					153,740	41,424	0.01	27
Automotive Additives	160,022	28,557	0.01	18	3.0	2.0					155,361	27,997	0.01	18
Motor Oil	1,185,449	206,874	0.07	17	3.1	0.3					1,149,805	206,255	0.07	18
Electrical Appliances[47]	**ND**	**164,104**	**0.06**	**—**	**—**	**20.7**	**152,289**	**0.07**	**47,819**	**31.4**	**ND**	**135,960**	**0.05**	**—**
Flashlights & Batteries	**3,584,508**	**560,816**	**0.20**	**16**	**7.5**	**8.2**	**497,444**	**0.23**	**186,542**	**37.5**	**3,335,937**	**518,089**	**0.19**	**16**
Batteries	3,227,338	525,880	0.19	16	7.8	8.6					2,993,820	484,236	0.18	16
Flashlights	357,170	34,936	0.01	10	4.4	3.2					342,117	33,853	0.01	10
Greeting Cards	**3,692,815**	**451,815**	**0.16**	**12**	**4.8**	**12.3**	**438,261**	**0.21**	**222,198**	**50.7**	**3,523,678**	**401,782**	**0.15**	**11**
Hardware[48]	**ND**	**241,719**	**0.09**	**—**	**—**	**16.8**	**234,951**	**0.11**	**95,860**	**40.8**	**ND**	**206,951**	**0.07**	**—**
Housewares	**4,607,355**	**1,069,101**	**0.38**	**23**	**5.4**	**7.7**	**1,591,943**	**0.75**	**641,553**	**40.3**	**4,373,352**	**889,820**	**0.33**	**20**
Bakeware	1,586,148	129,224	0.05	8	5.1	8.3					1,509,180	119,652	0.04	8
Barbeque Grills	577,909	3,901	0.00	7	4.3	1.8					554,083	3,832	0.00	1
Beverageware	460,326	71,274	0.03	15	5.6	7.4					435,915	66,363	0.02	15
Cutlery	513,330	47,426	0.02	9	7.0	5.8					479,748	44,826	0.01	9
Food Preparation Glassware	479,800	63,086	0.02	13	4.5	5.1					459,139	60,025	0.02	13
Kitchen Towels	19,115	6,558	0.00	34	3.3	4.8					18,504	6,258	0.00	39
Kitchen Utensils & Gadgets	ND	183,590	0.07	—	—	6.7					ND	172,062	0.06	—
Microwave Cookware	ND	110,528	0.04	—	—	25.6					ND	NA	NA	NA
Ornamental & Novelty Glassware	163,108	7,283	0.00	4	1.7	1.5					160,382	7,175	0.00	4

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42 Total retail sales excludes doctors prescriptions and sales at equivalent retail prices to hospitals.

43 Includes vaporizers, humidifiers and other health aid appliances, convalescent aids, home diagnostic tests, women's fragrances, etc.

44 Excludes sales through hospitals.

45 Includes LPs, EPs, 45s, cassettes, 8 track and disc.

46 Does not include sales of pre recorded video cassettes, or rentals of video cassette equipment.

47 Includes all electrical appliances other than health aid appliances. Also includes portable radios, tape players and personal stereos.

48 Includes non-electric tools, fasteners, paint supplies (not paint), and wiring devices.

GENERAL MERCHANDISE

CONTINUED

	1986										1985			
(add 000 to all dollar figures)	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total	Percentage Change from '85 to '86		Amount Spent in Supermarkets	% of Total Supermarket	$ Margin	% Margin	Value[1] of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores[2]	% of Total Store	% Gro.[2] to Total
					Total[1]	Grocery[2]								
Plastic & Rubberware	ND	351.778	0.13	—	—	9.9					ND	320,089	0.12	—
Pots & Pans	673.184	65.293	0.02	10	7.3	5.8					627,385	61,714	0.02	10
Tableware	134.435	29.160	0.01	22	—	—					129,016	27,824	0.01	22
Other Housewares[49]	**ND**	**568,701**	**0.20**	—	—	**7.1**					**ND**	**531,000**	**0.19**	—
Periodicals	**9,808,730**	**1,503,448**	**0.54**	**15**	**4.4**	**7.3**	**1,211,779**	**0.57**	**333,239**	**27.5**	**9,391,397**	**1,401,699**	**6.52**	**15**
Children's Story Books	445.007	88.190	0.03	20	10.6	22.8					402,357	71,816	0.02	18
Coloring Books	230.059	27.247	0.01	12	17.6	13.0					195,628	24,112	0.00	12
Comics	114.685	33.908	0.01	30	8.5	12.5					105,700	30,140	0.01	29
Magazines[50]	2.193.962	1.141.900	0.41	52	3.2	6.3					2,125,932	1,074,224	0.40	51
Newspapers[51]	5.248.425	63.259	0.02	1	4.6	4.8					5,017,615	60,362	0.20	1
Paperback Books	1.576.592	148.944	0.05	9	2.1	5.6					1,544,165	141,045	0.05	9
Other Merchandise	**3,837,325**	**475,371**	**0.17**	**12**	**0.9**	**6.1**	**366,854**	**0.17**	**160,104**	**43.6**	**3,804,858**	**448,112**	**0.16**	**12**
Disposable Cigarette Lighters	306.178	129.129	0.05	42	3.2	4.6	104.336	0.05	44.238	42.4	296,684	123,450	0.04	42
Garden Seed Packets	110.060	58.574	0.02	53	-5.3	5.0	52.424	0.02	24.954	47.6	116,220	61,657	0.02	53
Playing Cards	222.854	31.212	0.01	14	5.0	5.6	17.978	0.01	6.904	38.4	212,242	29,557	0.01	14
Road Salt & Ice Pellets	ND	26.054	0.01	—	—	1.7	21.104	0.01	8.315	39.4	ND	25,618	0.00	—
Sewing Notions	1.564.368	56.127	0.02	4	-10.3	6.2	46.642	0.02	20,802	44.6	1,744,000	52,850	0.01	3
Shoe Laces	61.136	32.316	0.01	53	3.8	2.9	13.314	0.01	3.941	29.6	58.898	31,405	0.01	53
Sunglasses	1.206.522	91.502	0.03	8	16.3	18.7	70.640	0.03	36.521	51.7	1,037,422	77,087	0.02	7
Vacuum Bottles & Jugs	366.207	50.457	0.02	14	7.9	8.5	40.416	0.02	14.429	35.7	339,392	46,488	0.01	14
Picnic Jugs	*123.261*	*21.012*	*0.01*	*17*	*8.1*	*9.3*					*114,025*	*19,224*	*0.00*	*17*
Vacuum Bottles	*242.946*	*29.445*	*0.01*	*12*	*7.8*	*8.0*					*225,367*	*27,264*	*0.01*	*12*
Pet Accessories[52]	**1,568,533**	**427,746**	**0.15**	**27**	**2.5**	**3.1**	**417,052**	**0.20**	**158,897**	**38.1**	**1,530,497**	**414,922**	**0.15**	**27**
Bird Food	39.113	22.761	0.01	58	4.3	6.0					37,500	21,473	0.00	57
Pet Grooming Aids	64.608	14.066	0.01	22	3.8	5.3					62,243	13,358	0.00	21
Feeding Bowls	12.297	3.314	0.00	27	4.3	4.8					11,790	3,162	0.00	27
Flea Collars	231.604	159.049	0.06	69	-2.3	-0.9					237,056	160,493	0.06	68
Other Pet Accessories	1.220.911	228.556	0.08	19	3.3	5.6					1,181,908	216,436	0.08	18
Photo Supplies & Processing	**7.416.200**	**982.949**	**0.35**	**13**	**2.5**	**5.8**	**902.347**	**0.42**	**179,567**	**19.9**	**7,231,930**	**929,119**	**0.34**	**13**
Film	2.325.460	621.105	0.22	27	4.3	6.7					2,229,588	582,104	0.21	26
Processing	3.596.641	268.770	0.10	7	3.3	5.6					3,481,744	254,517	0.09	7
Flash Bulbs & Cubes	112.459	31.154	0.01	28	23.6	18.7					147,198	38,230	0.01	26
Still Cameras[53]	1.381.640	61.920	0.02	4	0.6	14.1					1,373,400	54,268	0.02	4
Stationery	**627,523**	**126,961**	**0.05**	**4**	**2.3**	**1.7**	**108,298**	**0.05**	**39,854**	**36.8**	**613,490**	**124,878**	**0.04**	**20**
Looseleaf Fillers	176.922	17.744	0.01	10	3.0	3.5					171,769	17,144	0.00	10
Notebooks	105.479	16.687	0.01	16	1.4	0.8					104,023	16,555	0.00	16
Packaged Paper, Envelopes	86.789	25.310	0.01	29	8.3	8.4					80,138	23,349	0.00	29
Writing Tablets, Pads	258.333	67.220	0.02	26	0.3	-0.9					257,560	67,830	0.02	26
Toys	**12,085,748**	**268,279**	**0.10**	**2**	**10.8**	**12.7**	**213,550**	**0.10**	**82,430**	**38.6**	**10,907,715**	**238,047**	**0.08**	**2**
Underwear & Hosiery	**5,523,600**	**950,997**	**0.34**	**17**	**2.7**	**6.3**	**818,294**	**0.38**	**286,310**	**35.0**	**5,377,760**	**895,014**	**0.33**	**14**
Men's & Boy's Underwear	ND	106.702	0.04	—	—	7.1	143.803	0.07	48.749	33.9	ND	99,628	0.03	—
Men's Hosiery	1.606.900	63.231	0.02	4	9.8	11.7	47.297	0.02	19.297	40.8	1,463,479	56,608	0.02	2
Panty Hose	3,779,469	764.635	0.27	20	0.2	3.5	627,194	0.29	218.264	34.8	3,771,925	738,778	0.27	20
Stockings	137.231	16,429	0.01	12	-3.6	-4.8					142,356	17,078	0.00	12
Writing Implements	**902,593**	**105,043**	**0.04**	**12**	**5.5**	**6.6**	**75,841**	**0.04**	**31,474**	**41.5**	**855,463**	**98,503**	**0.03**	**12**
Ballpoint & Fountain Pens	391.178	51.991	0.02	13	5.0	5.7					372,550	49,187	0.01	13
Ballpoint Refills	55.252	4.906	0.00	9	-1.8	-1.9					56,265	5,002	0.00	9
Broad Tip Markers	97.078	7.126	0.00	7	21.6	25.6					79,834	5,676	0.00	7
Fine Line Porous Pens	244.515	31.190	0.01	13	2.7	4.8					238,087	29,791	0.01	13
Mechanical Pencils	42.138	6.446	0.00	15	16.1	18.0					36,295	5,463	0.00	15
Woodcased Pencils	72.432	3.384	0.00	5	1.0	2.8					72,432	3,384	0.00	5
General Merchandise N.C.E.[54]	**ND**	**844,878**	**0.30**	—	—	**NC**	**834,739**	**0.39**	**250,422**	**30.0**	**ND**	**783,746**	**0.29**	—
Total General Merchandise	**ND**	**9,649,784**	**3.45**	—	—	**7.4**	**8,532,211**	**4.00**	**2,657,075**	**31.1**	**ND**	**8,657,821**	**3.25**	—
Total Foods, Dry Grocery, Nonfoods, HBA, GM*	**ND**	**270,585,823**	**96.8**	—	—	**4.1**	**208,296,673**	**97.65**	**47,365,360**	**22.7**	—	**259,914,982**	**97.84**	—
Sales N.C.E.[55]	**ND**	**8,992,177**	**3.22**	—	—	**NC**	**5,017,635**	**2.35**	**933,280**	**18.6**	**ND**	**5,712,018**	**2.16**	—
GRAND TOTAL	**ND**	**279,578,000**	**1.00**	—	—	**5.3**	**213,314,308**	**100.00**	**48,298,640**	**22.6**	**ND**	**265,627,000**	**100.00**	—

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[49] Includes bar accessories, plastic utensils, potholders, oven mitts, etc.

[50] Does not include subscription sales

[51] Includes sales from all outlets, including subscriptions and home delivery

[52] Excludes dog and cat foods, and cat litter which are listed under Dry Grocery Nonfood. Includes all other pet accessories not listed

[53] Includes disc, cartridge, and 35mm still cameras

[54] Includes clothing not listed, clocks, watches, scales, garbage cans (metal and rubber), automotive supplies not listed, snow shovels, garden tools and supplies, lawn furniture, etc

[55] Includes sales of items not listed above from all store departments

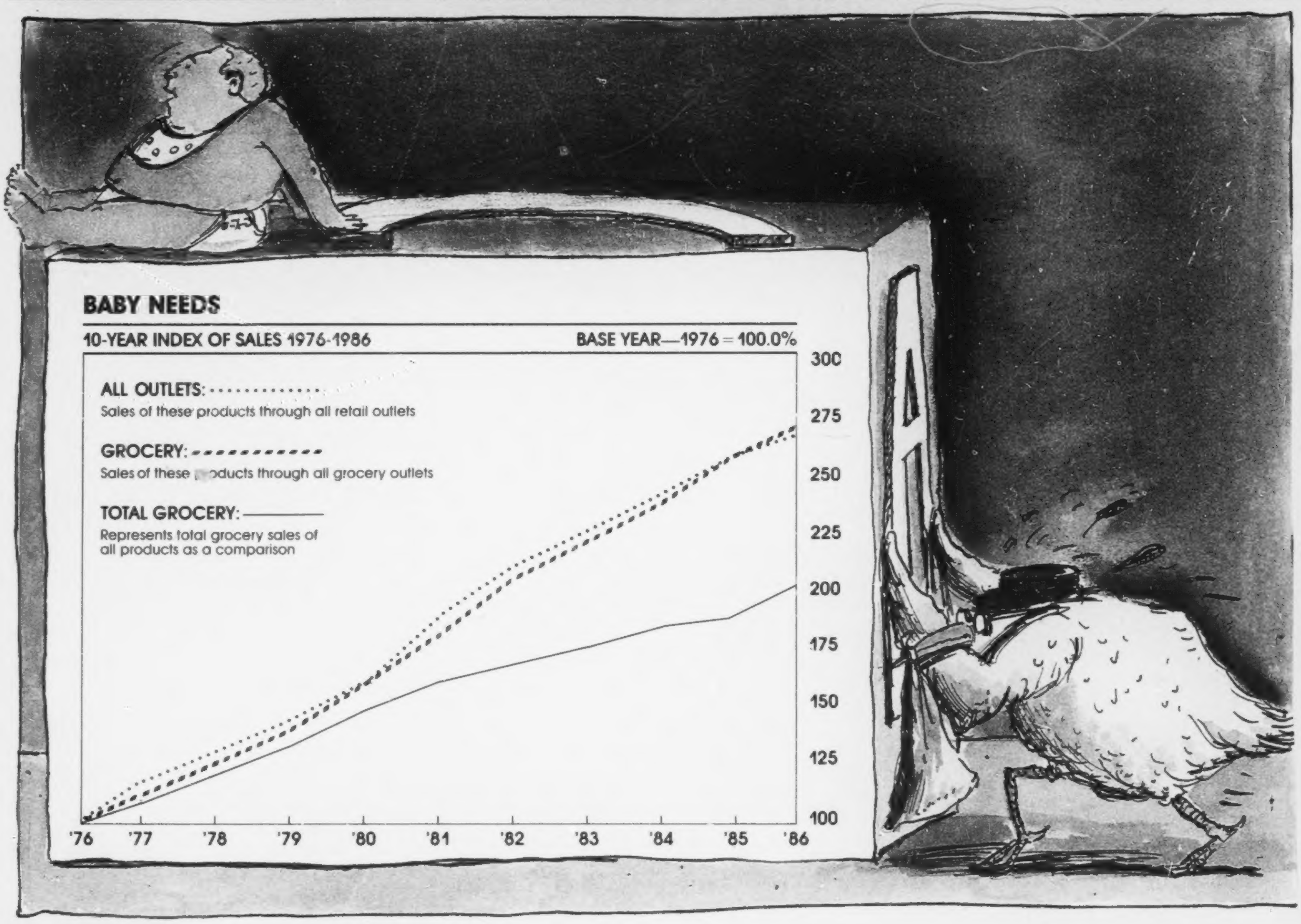
*Margin based on total excluding prescriptions

ND—Not determined

N.C.E.—Not classified elsewhere

NC—Not comparable

BABY NEEDS



Debbie Tilley

After the previous year's tampering scare, the past 12 months have proven to be not only peaceful, but profitable for baby needs makers.

A year ago, the baby needs industry was reeling from what may have been the worst possible threat to the franchise it had built up over decades. There were reports of tampering with baby food containers and Gerber Products Co. (Fremont, Mich.) was trying to stave off what was for it a significant loss in market share.

Indeed, the baby food market saw small overall growth of 2.4 percent in 1986 according to SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES); small growth at least compared to the whopping 9.3 percent the category grew the previous year. For 1986 there were declines in the fruits and juices category, down 2.1 percent in total sales, and in the meat and combinations category, down 3.7 percent, both bottled products where the decline can probably be attributed to consumer fear of product tampering. Infant formulas, the largest item in the category and a product untouched by the tampering scare, saw overall growth of 4.8 percent.

The news this year is considerably more cheerful. Investigations of the alleged tampering incidents proved that there was no third party tampering of baby food products (third-party tampering being that which is perpetrated by persons unconnected with the producer), nor was there any evidence that Gerber's manufacturing procedures were anything less than scrupulous.

And, as a measure of these findings, the industry has begun to rebound, with estimates that the categories that experienced declines in 1986 will see gains of about 2.3 percent during 1987.

Gerber itself has made the most of this good news, rebuilding its market share of the baby food business until it has, in fact, exceeded what it held before the tampering scares.

"Last year was a very eventful one for us, but we've completely recovered," says Bob Erber, vice president of marketing for Gerber. "Obviously, it was very traumatic for us, as leaders in the industry, but we feel our recovery has been a reflection of the confidence that consumers have in our brand, and a reflection of the loyalty the trade feels toward us." Erber adds, "What we feel most positive about is the fact that none of the tampering claims were ever substantiated."

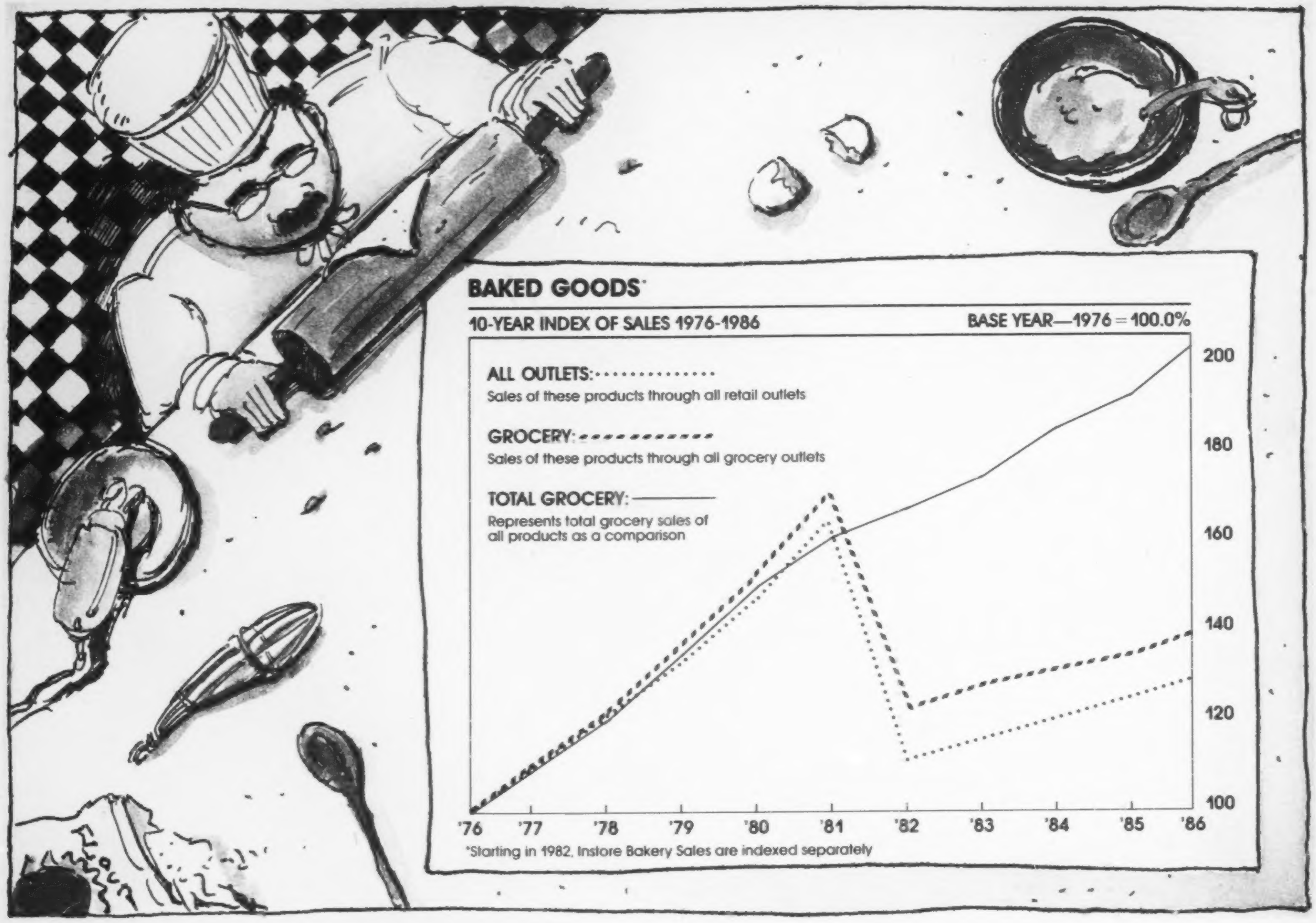
On the retail side, there is good evidence that Gerber has every right to feel cheerful. Not only did a number of retailers say their sales of Gerber products were unaffected by the tampering controversy, but several retailers in the New England area told SUPERMARKET BUSINESS that they simply didn't carry any other brand. "Why bother?," responded one, when asked why.

New highs

Gerber's share of the overall baby food market, according to industry experts, is 67.5 percent, a figure that the company

Continued on page 218

BAKED GOODS



Debbie Tilley

Sales of commercial baked goods continue to be strong at supermarkets, despite some competition from the instore bakery. But manufacturers are confident that there's potential for all kinds of baked products.

While sales of commercial baked goods aren't increasing as much as those of instore bakery products, this is still quite a healthy category at the nation's supermarkets.

"If anything, commercial bakeries take away from instore sales," says Jeff Kohlmeyer, a spokesman for Smitty's Supermarkets (Springfield, Mo.).

Sales of baked goods were $17.9 billion in 1987, with $11.3 billion of those sales coming from the nation's grocery stores. This represents a 2.8 percent increase over the year before.

The strongest growth among the various segments in this category comes from variety breads, as more consumers look to breads with more flavor and texture, rather than the oft maligned white bread. Sales of these variety breads increased by 4.4 percent last year, compared to just 1.5 percent for white bread.

In the Seattle market, for instance, commercial bakers are changing their emphasis to more healthful, tastier breads. "Poulsbo Bread is a natural grain bread made by one of our suppliers, and it is one of the best selling breads we have, at between $1.59 and $2 per loaf," says Bob Meyers, v.p.-retail operations, Larry's Markets, based in Seattle. Other companies are making the same kind of grain breads, he says. "If they don't they won't have any business. White bread, other than so-called 'price' bread, is not as big in this market as it used to be."

Different customers

In general, Meyers says, instore bakeries don't affect the sales of regular retail bakery products because "we're talking about different kinds of customers. Not every customer will spend 50 cents on a gourmet cookie. Some customers will buy gourmet cookies for their homes, while others are going to buy packaged cookies to fill up their children's lunchboxes. One complements the other, and we can get all of the baked goods business." They don't necessarily compete.

At Smitty's, the bakery manager is careful not to try to compete with commercial bakery products. "We won't make a white bread, for example, unless it is in a size completely unavailable elsewhere," says Kohlmeyer. Smitty's has tried to keep its instore bakery products and commercial bakery products together and apart, and has just remerchandised the category to keep them separate—again. "We feel that it's the only way to adequately merchandise the lines," Kohlmeyer says.

Strong cookies

"There's more labor in the instore bakery," he says, "so you can't compete on price. If you try to, then both areas will be losers. In an instore bakery, you are catering to a more exclusive market." Instore bakery sales use breads and commodities such as doughnuts as the foundation of the business, Kohlmeyer says. Cookies are popular, but not as much as breads and doughnuts.

But the commercial, well-made cookie still thrives. Despite the less-than-spectacular success of the spate of soft cookies from manufacturers, some of the regional baked goods companies are doing well with this kind of cookie. Cookie sales are still strong, up 3.6 percent last year, according to CES.

The Charles Freihoffer Baking Co. (North Troy, N.Y.), doesn't position itself against other packaged goods products, because of its premium image and short shelf life. Instore bakeries are not necessarily competitive to Freihoffer products because many are bake-off rather than scratch.

Freihoffer's cookie business is "thriving," says Carolyn Messer, product development technologist. She says that the lack of growth in the soft cookie market has not affected the company because it was in the business long before any of the bigger companies.

One of those bigger companies, Frito-Lay Inc. (Plano, Tex.), has had some significant problems with its soft-and-chewy cookie line, Grandma's Cookies, but the company says that it cannot trace those troubles to the popularity of instore bakeries.

"I've never heard anything about that," said Beverly Holmes, a spokesman for Frito-Lay. Holmes says that late last year, the company was forced to re-evaluate its strategy of focusing on sales of single-serving and mid-size packages of Grandma's Cookies, deciding to discontinue the latter category.

"All our activity these days is concentrated on the single-serving area," Holmes said, noting that this means that Grandma's Cookies, which come in a big cookie size in six flavors, a sandwich cookie and a chocolate chip variety, have virtually been banished from supermarket cookie departments.

"Our strategy has been to emphasize the convenience stores, but also the checkouts and deli counters in supermarkets. Our cookies are great for those areas, and so far, sales have been good."

Nabisco Brand Inc. (East Hanover, N. J.) is the dominant manufacturer on the soft cookie landscape, while Elmhurst, Ill.-based Keebler Co's Soft Batch cookies are the top line in the category, earning almost 32 percent of the approximately $375 million soft cookie business. Procter & Gamble (Cincinnati), with its Duncan Hines line, is in second place with roughly 25 percent of the market.

Nabisco's Almost Home soft cookies rank third, with about 23 percent of the market, while that same company's Chewy Chips Ahoy line has a little better than 19 percent of the market, giving Nabisco a total market share of better than 42 percent.

An industry observer highly familiar with the soft cookie business says that the lines to watch are first-ranked Keebler's Soft Batch and fourth-ranked Nabisco's Chewy Chips Ahoy, both of which have been experiencing some small sales increases while the middle two lines have seen a dip in sales.

Other commercial sweet goods are doing well. Sweet goods on the whole increased sales by 2.5 percent last year, with cakes and pastries leading the way, with an increase of 5.3 percent over the year before. This offsets the decline in sales of doughnuts, down -2.1 percent, and pies, down -3.6 percent over the year before. Here is where the competition from the instore bakery has most likely affected sales of commercial baked products.

—BOB HUGHES

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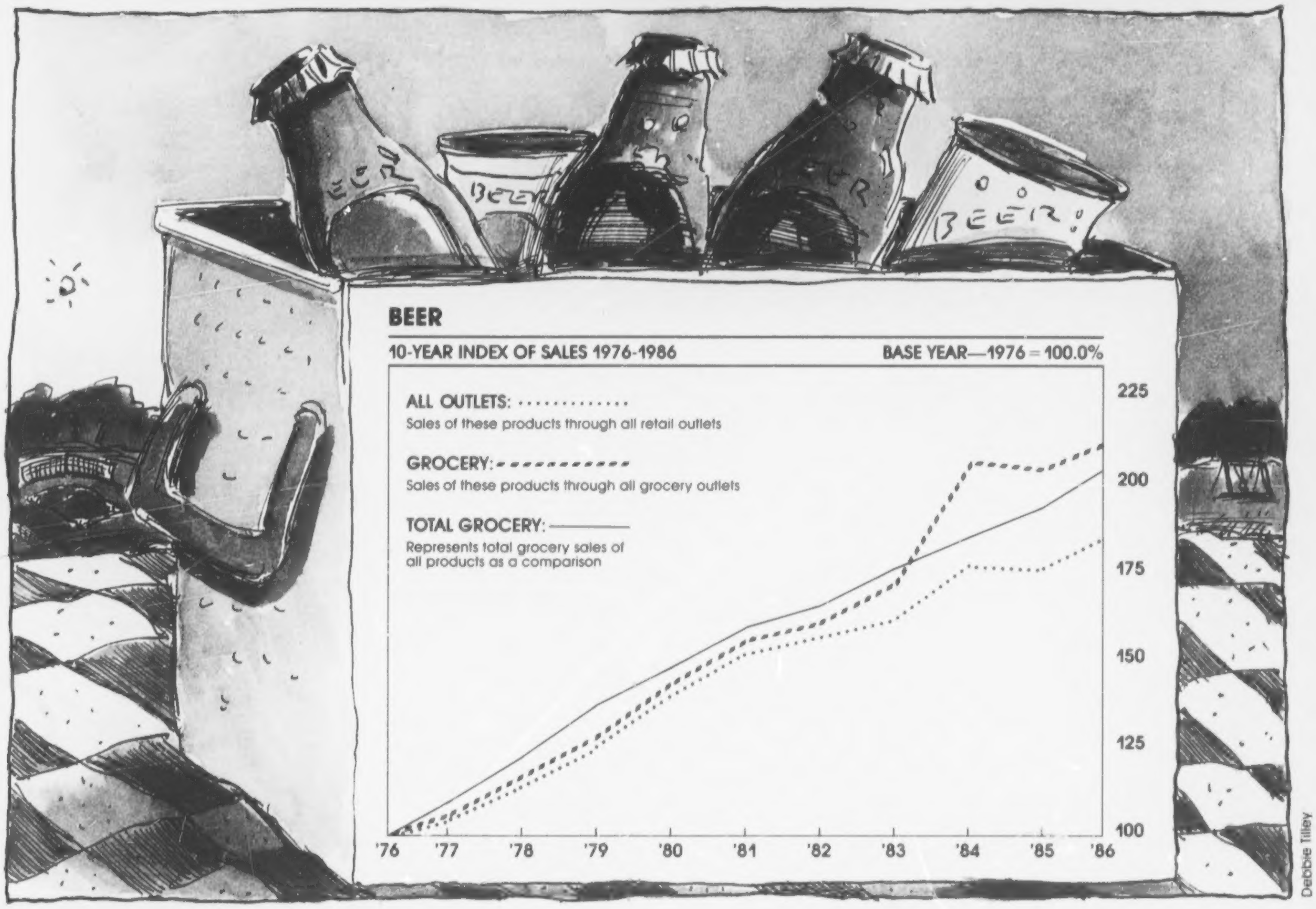

Debbie Tilley

The domestic beer business is still a place where independents can make their mark; micro-breweries are finding some small success.

Two years ago, in this space, we reported on the diverse taste in beers of Spenser, the Boston-based private detective created by best-selling author Robert B. Parker. At the time, Spenser seemed to have a preference for New Zealand's Steinlager. The past two years have not quenched Spenser's near-legendary enthusiasm for beer, and Parker's latest novel, *Pale Kings and Princes*, finds Spenser trying to decide what to do next to solve his latest case and, of course, quaffing beer.

Spenser ruminates in the latest novel: "I sipped from my bottle of Samuel Adams beer. I was on an American-beer binge. Working on the assumption that locally brewed is fresher and hence tastier. The Sam Adams seemed fresh and tasty, thus confirming my suspicions. Who said I couldn't detect . . . Sam Adams was so fresh and tasty that I was on my third before I got to making supper."

Spenser, it would appear, is not alone. Samuel Adams beer, which has been at the forefront of the revival in regional brews around the U.S., spent much of the previous year slowly enlarging its circle of distribution and winning top prize, for the third year in a row, in the competition at the Great American Beer Festival, a fairly new event held annually in Colorado to promote high-quality American beers.

"You can't buy publicity like the Spenser book," says Jim Koch, brewmaster and president of the Boston Beer Company (Boston, Mass.), which makes Samuel Adams Boston Lager. "What's really funny about it is that three years ago when I was starting the company, somebody told me that we'd know that we'd made it when Spenser started drinking Sam Adams. I guess we've made it."

Hardly worth measuring

If Jim Koch is sanguine about the success his company has achieved, he is also philosophical: in Boston, his home city, Samuel Adams has garnered the equivalent of four percent of the imported beer market, and just 0.5 percent of the overall beer market. On a national basis—and it must be understood that Samuel Adams is only in New England, Washington, D.C., Philadelphia, Pittsburgh, Denver, Portland (Ore.) and, as of this summer, New York City—Samuel Adams's market share is so minuscule that it can hardly be measured. But Koch doesn't mind. "Someone once told me that Anheuser-Busch spills more beer in an hour than we brew in a year," he says.

Koch maintained his equilibrium when looking at the market share numbers by reminding himself that he is competing with imported beers, and by reminding anyone who will listen to him that so-called imported German beers could not be sold in Germany because they are not brewed to German specifications. Koch emphasizes that his beer is brewed the proper German way.

"I think that's been the right strategy for us," he says. "That's

BEER

Imported beer, just 12 percent of the U.S. market, is the segment where all the drama is taking place. The reason: Corona.

our customer. I think that Sam Adams has clearly established itself as the preeminent craft beer in the U.S. We already sell more beer than Anchor Steam, and they are in 40 states."

Where the action is

If a brewer is looking for where the action is—at least in terms of drama—it is not necessary to look any further than the imported beer category. These days, when people think about imported beer, one name generally comes to mind: Corona, which has come from almost nowhere to become the second best-selling imported beer in the nation, trailing only Heineken. And there are some in the industry who believe firmly when Corona finally gets national distribution—it is currently sold in just 31 states—there will be no stopping its ascent to the top of the imported beer list.

Industry experts estimate that Corona increased its sales by something on the order of 170 percent during 1986, a blistering pace even in the imported beer category, a segment that grew 12.9 percent in grocery sales for the 1986 year, according to SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Survey (CES).

Some observers in the business suggest that this growth is due entirely to the company opening up new markets, and that when Corona is in all 50 states, the furor, the growth and the cachet of Corona will diminish significantly.

It is to be expected that Michael J. Mazzoni, executive vice president and general manager of Chicago-based Barton Beers Ltd., which imports Corona to the western half of the U.S. (Gambrinus Importing Company, of San Antonio, Texas, handles the eastern U.S.), disagrees. "Frankly, we always thought there would be a diminishing of the trend," Mazzoni says, "but the beer has been astounding even us."

Not a fad

"The question of it being a fad has really been discredited for the last two years," Mazzoni says. "The average life cycle for a fad product is one to three years. Well, we introduced Corona and California in 1981 and 1982, and this year we're still seeing 100 percent growth there alone. Everything we've seen shows us that we've become a mainstream beer. In Colorado, we're outselling Heineken four or five to one. In California, it's two to one. In Missouri, its four to one."

In 1986, Mazzoni notes, mostly on the strength of Corona, Mexico went from the number four spot to number three in the list of top beer importing countries to the U.S. Holland is first, Canada is second, and Germany has now dropped to fourth. "And this year, we're going to number two," he says.

"I've seen focus group data from research that one of our competitors did," he says. "The interesting thing about it was that the people talked to all said their primary brand was either an Anheuser-Busch product or Corona. If they said we were first, then the Anheuser-Busch product was second, and the other way around."

Troubled times

But recently, trouble has been plaguing Corona in the form of ugly rumors spread about the product's purity. Employees of a rival distributor were reportedly making claims that the CBS News program, "60 Minutes," had produced a segment documenting the fact that traces of urine were showing up in samples of Corona. The reports got as far as some newspapers in Nevada and California. There was just one problem: there was no such report on "60 Minutes," nor on either of the other network news magazine programs, "20/20" or "West 57th Street."

Barton Beers's first move was to slap a $3 million lawsuit on Luce & Son, a Nevada distributor, which promptly responded by writing a letter affirming its belief that Corona was a pure product. Barton Beers also went to considerable trouble to reassure the retail trade that there was absolutely no problem with Corona and that the brewing process was state-of-the-art.

It didn't seem to matter. Just a couple of weeks later, Barton Beers went national with the story, publicizing its plight through national magazines, wire services and news programs. "The rumor just got to the point where we couldn't control it anymore," Mazzoni says. "So we decided to go public. What really prompted our decision was some significant falloff in business at some of our key accounts."

Mazzoni acknowledges that there is some risk to his tactics, that he may give further credibility to the rumor. "But the element of the rumor that it was reported on '60 Minutes' wraps it in another kind of credibility," he says. "If we were just to allow it to spread, it might get to the point where we can't recover from it."

This situation has precedents such as the rumors that Procter & Gamble is run by devil worshippers, or that Gerber Products Co. had a significant manufacturing and tampering problem endangering children's lives. "But this is frustrating because we don't have Procter & Gamble's resources to fight this thing," Mazzoni says. "We just don't know what else to do."

The rumors about Corona beer mar a corporate performance that is nothing short of staggering. As one of its competitors says, "It is just one of those surprises you can't understand. They have no real advertising, no succinct marketing plan, none of the usual strategies that make you a success. You have to ask yourself, why is this working?"

Another competitor says, "The one job I would not like to have right now is the job as marketing director of Corona, because they don't know exactly where they are, they don't know how they got there, and they don't know how to stay there."

Low-key approach

Of course marketing questions confront all beer producers including the leading domestic producer, Anheuser-Busch (St. Louis, Mo.). Published reports, on which the company has steadfastly refused to comment, have revealed that Anheuser-Busch has brought out a new ultra-premium, heavy, European-style beer called Anheuser. The new beer is getting virtually no marketing support, and none is planned for the near future. The company is said to be relying on word of mouth and mystique, much as Corona did when it began. It is, to be sure, an unusual move for a company that believes in advertising so much that it spent $600 million last year on ads, and is currently flooding the airwaves with takes of Spuds MacKenzie, the canine "party animal" that serves as a "spokesman" for Bud Light.

But the question of where the Corona drinkers are coming

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from still remains. There are some in the industry who feel that, although Heineken is usually singled out as the prey and Corona as the pursuer, it is unlikely that Heineken, or even Beck's, will suffer heavy damage from the Corona invasion. Rather, they suggest, it is more likely to be the Canadian beers that suffer and, curiously enough, some of the domestic brands, which would feel the impact in terms of slower growth rather than lost sales.

"Think of it," says one industry source. "If every person who normally drinks Budweiser decides to have a Corona once every 25 times they have a beer, that's an awful lot of beer. It's not enough to do any real damage to a popular domestic brand, but it adds up to a lot of big numbers when you list it in the import category."

Still the leader

Big numbers are exactly what the imported beer category is generating these days, even though imports account for just four percent of all the beer sold in the U.S. According to industry experts, Heineken remains the industry leader in imports, with almost 30 percent of the import market share, translating into 1.4 percent of the total U.S. beer business. In 1986, Heineken experienced a slight increase in sales of about three percent, but the current year is expected to show a decline because of a price increase levied at the end of last year. Heineken's importer stresses, however, that Corona seems not to have damaged Heineken to any significant extent.

Corona, in second place, has approximately 11.5 percent of the imported beer business, or 0.6 percent of total U.S. beer sales. Molson is in third place with a little better than 10 percent of imported sales and 0.5 percent of total U.S. beer sales; this represents a four percent decrease from its 1985 position, when it was in second place.

Fourth place is now occupied by Beck's, which experienced an 11 percent increase in sales during 1986. Beck's has almost nine percent of the import business and 0.4 percent of all U.S. beer sales. Rounding out the top five is Canada's Moosehead, which has a 5.3 import market share, 0.3 percent of all U.S. beer sales, and had no change in its sales from 1985 to 1986.

Philip Van Munching, of Van Munching & Co. (New York, N.Y.) importers of Heineken, says that while Corona is to be taken seriously, it is by no means inevitable that Corona will supplant Heineken as the nation's top imported beer. "It may not be a fad, but I don't see how Corona is going to continue to grow at that kind of rate. Right now, they have lots of new markets to go into, but once the country is saturated, they can't possibly keep up that kind of growth.

"We've been very lucky," Van Munching adds. "We've continued to grow at a nice rate, even though that is hard to do once you've saturated a market. All we can do is keep our name and heritage known, redouble our efforts and let people know that we're the best tasting beer around."

Van Munching's other two beers, Amstel Light and Grizzly, have been at opposite ends of the spectrum in terms of growth. Amstel, the eighth-ranked imported beer and number one light import, is not growing at the 50 percent annual rate that it was a few years ago, but it still shows healthy growth each year, Van Munching says. "It's still not in every market, but what's gratifying about it is that it does well because it is a great beer, not because it is in a great bottle or has a great label or something." Grizzly, on the other hand, is having hard times as Van Munching attempts to reposition it for an older consumer; it was aimed at college students, but came to the U.S. just as the drinking age was raised to 21 years.

Appeals to older drinkers

Joseph Sanchez, director of national accounts with Dribeck Importers (Greenwich, Conn.), confirms that his brand, Beck's, continues to show strength despite the Corona rage, and estimates that Beck's will show a 10 percent increase in sales at the end of 1987. "Sure, Corona jumped to number two and everybody is hurting a little bit," he says, "but Corona is appealing to a younger drinker, and we've always appealed to an older, more affluent consumer."

This spring, Dribeck came out with Dribeck Light, a low-calorie beer, in New York, New Jersey and throughout New England. Already, Sanchez says, it has been expanded to Washington, D.C., and it appears to be doing well. He says he is not worried about losing Beck's drinkers to the new brew. "You always lose some, but we hope they won't be converting from Beck's."

Of the top imported brands, Molson is said by industry observers to be the one suffering most severely at the hands of Corona. "They're getting killed," says one source who requested anonymity. "Last year's losses may just be the beginning."

Peter Fearon, president of Martlett Importing Co. (North Hills, N.Y.), which markets Molson in the U.S., says that the figures often quoted by so-called industry experts are just not accurate, that Molson sold more beer than Corona in 1986 on its way to a modest 2.3 percent sales increase over 1985. Molson Light continues to be the brand's best seller, selling as much as Molson Ale and Molson Beer combined. Fearon does concede, however, that Corona will almost certainly pass Molson in sales for 1987.

"I don't think that there is anything you can do versus Corona," he says. "I think that what we have to do is continue to support the Molson brand and accept that the Corona thing is going to go on anyway." He describes Corona's popularity as having something to do with "pure dynamics, rather than anything specific to the market."

Fearon says that in Florida and Boston, two markets where Corona has been recently introduced, Molson has continued to grow. "And I'm just not sure it is bad for the imported beer business," he says. "It is bringing people into the category, and once it's run its course, if it runs its course, people will still be drinking imports."

Martlett Importing also has just begun marketing New Zealand's Steinlager, with plans to expand its distribution from the West Coast to the rest of the country. "I think we're sitting on a sleeping giant here," Fearon says, noting that television advertising for the brand in Denver and Los Angeles has proven successful. And, he says, starting in October, Martlett will be responsible for distribution of Kirin beer.

Perhaps because its competitive position seems less tenuous, Labatt Importers (Darien, Conn.), the sixth-ranked

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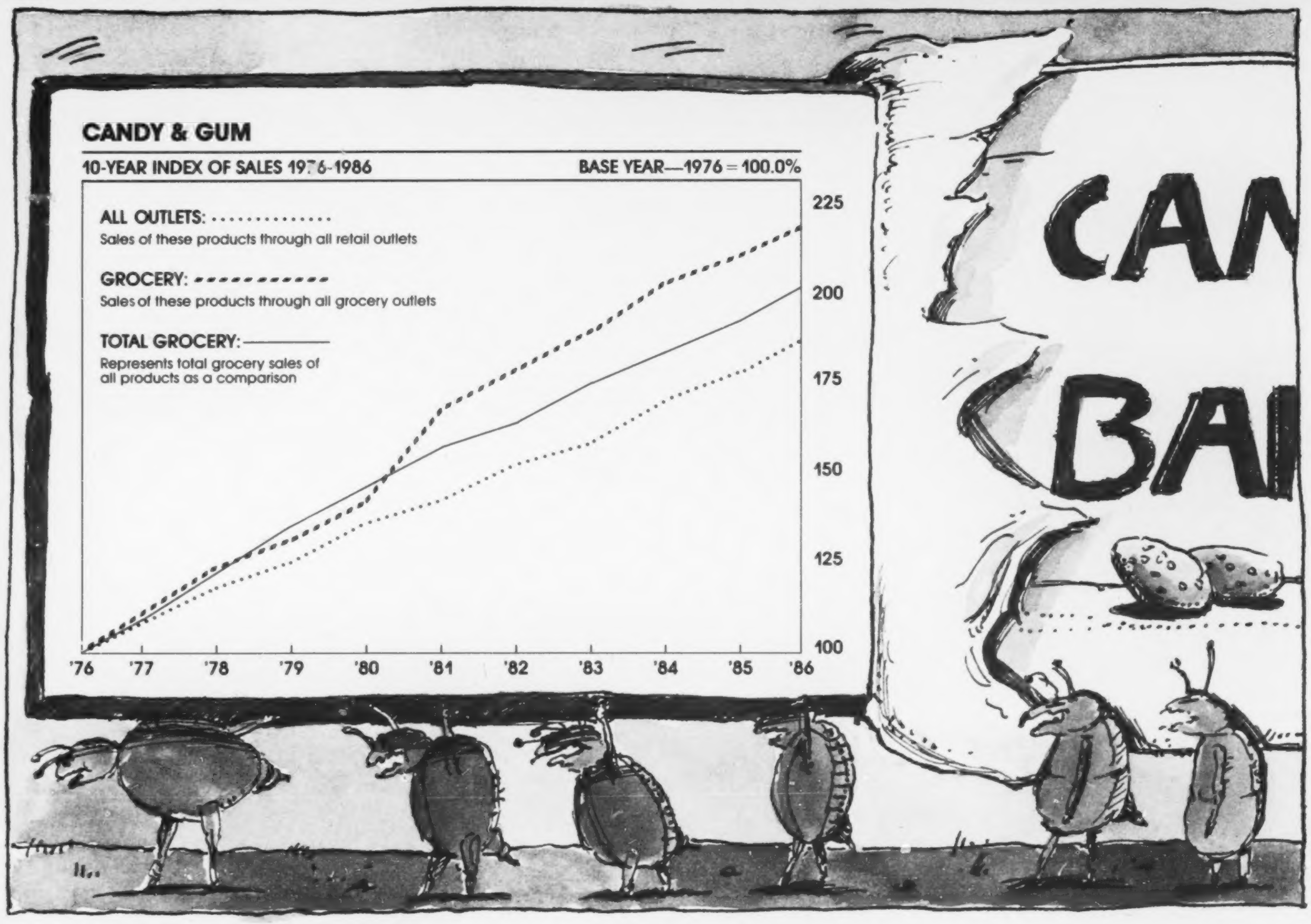
BEER

Corona is now the second best-selling imported beer in the U.S., trailing only Heineken and surpassing both Beck's and Molson.

CANDY & GUM



Debbie Tilley

The industry strategy to position sweets as an integral part of an active lifestyle has paid off with consumption at near-record levels.

With the decline of the traditional American family meal, fewer Americans are eating traditional desserts. But the nation's consumers haven't lost an appetite for sweets. Snacking has been on the rise, with candy consumption showing an average 4.8 percent annual growth between 1980 and 1985, according to U.S. Department of Commerce statistics.

Last year, however, the Commerce Department's growth curve flattened, with a mere 0.2 percent increase in chocolate candy consumption and only a 1.9 percent gain in non-chocolate candy shipments. Per capita consumption, which peaked in 1984 at 18.9 pounds, has remained unchanged. But the Commerce Department's forecast for 1987 is "not especially rosy," with projections of flat growth in total candy consumption (no more than one or two percent) and a decline in per capita consumption possible.

The loss of growth momentum was reflected in SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES) figures for dollar sales. Growth for the total category at supermarkets last year declined from 3.7 to 2.7 percent. Packaged chocolate growth tapered off from 10.7 to 3.2 percent, and bulk candy, which registered a 14.7 gain in sales the previous year, slowed to a more modest 3.6 percent.

One bright spot last year was chewing gum, which snapped back from a 3.0 percent decline in 1985 with a 5.1 increase during 1986. With a 4.1 increase in regular gum sales and a 6.6 percent gain in sugarless, that growth boosted the gum category by close to $31 million, to a 1986 total of $628 million in grocery stores. And with the success that Wrigley's (Chicago) has reported reported with its 25-cent five stick gum packs, sales gains for that category are expected to stay healthy in 1987.

Despite the overall slump in growth, sales for most candy categories expanded slightly over last year's levels. And the mere fact that Americans are still consuming candy near the record levels of 1985 demonstrates that the sweet stuff is no longer perceived as poison to most health-conscious U.S. consumers.

"A few years ago, food fanatics led you to believe that in order to be healthy, you had to swear off confectionery completely," says Philip Kimball, public relations manager for the McLean, Va.-based National Confectioners Association (NCA). "Adults are recognizing that they can be physically fit, and enjoy candy at the same time."

That psychological shift, brought about in part by major manufacturers that positioned sweet treats as an integral part of an active lifestyle, has paved the way for candy's growth. "The children's market has always been strong, and it remains strong," Kimball says. "The expansion has been happening in the adult market."

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CANDY

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While an increase in adult consumption would seem to drive up sales of chocolate bars faster at supermarkets than at other retail segments where children make more purchases, CES figures show supermarket growth (2.7 percent) a full percentage point behind the chocolate bar category's average growth (3.7 percent). The statistics may be deceptive, however— they don't include grocery sales of Kudos, the hybrid blockbuster introduced by M&M/Mars (Hackettstown, N.J.) last May.

Kudos, which achieved national distribution in February, has already won a majority 20 percent share (about $77 million) of the $386 million granola bar category. With total chocolate bar sales at supermarkets registering a mere $13.4 million net increase, Kudos would have clearly improved the category's growth performance if it were reclassified as a chocolate bar. (Consumer research shows the product being thought of primarily as a substitute for confectionery, not as a health food.)

But despite the statistical dent, it's probably fortunate for the candy category that the product is usually merchandised as a cereal bar. "Kudos, and granola products in general, are products that the 'gatekeeper'—not necessarily the housewife, but whoever's buying for in-home consumption, is willing to accept," says Whitney Hill, trade relations director for M&M/Mars. "They might not even shop the confectionery section—they might only shop the cookies and fruit snacks and granola snacks area. But they perceive Kudos to be a good snack item, and they're buying it for a snack in the home."

Upscale targets

Kudos was one of several projects M&M/Mars cooked up last year. After testing its Royals line of premium candy-coated chocolate pieces in select markets, M&M/Mars stopped shipments this May. Royals, which might have been dubbed "yuppie M&Ms," came in Irish cream, mint, cherry chocolate and almond flavors, and retailed at $2.49 for an eight-ounce bag.

M&M/Mars's Hill believes that a national superpremium niche for a similar product exists, despite the inability of Royals to fill it. "We do feel that there's definitely an upscale or premium product there," he says. "We expect to come back with a product to fit that market, perhaps sometime around the first of the year."

Archrival Hershey Chocolate Co. (Hershey, Pa.), which trails M&M/Mars's 37 percent market share with a 36 percent slice of the confectionery pie, seemed to have a bit more success at the high end, with the national launch of its Golden III bar in March, 1986.

"It's made with butter chips and coconut, with milk chocolate," says Carl Andrews, public information manager. "It's part of our upscale candy line—our Golden Almond bar and Golden III. They're both three-ounce bars and they're geared chiefly toward adults."

This month, Hershey is rolling national with Bar None, "a milk chocolate bar with a chocolate wafer and chocolate cream" that has performed well since it was introduced statewide in California last September, Andrews says. "I think it will probably appeal to adults, but I wouldn't characterize it as an adult bar. It's really geared to chocolate lovers."

Jacobs Suchard/Brach (Chicago) is also gunning for a target market somewhat broader than

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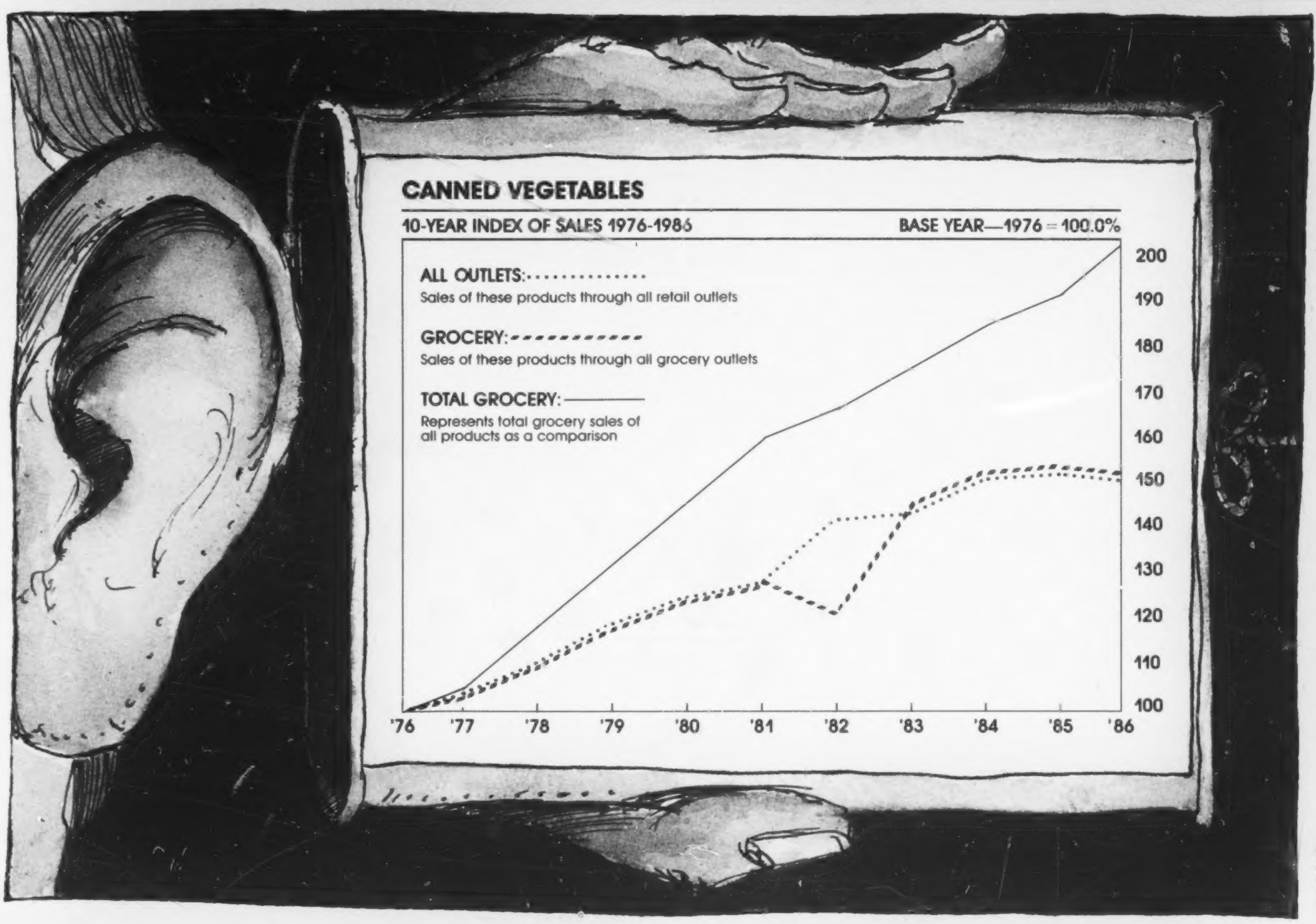

Debbie Tilley

Sales of canned foods have not risen dramatically, but they are steady. Both manufacturers and retailers are trying to come up with new ways to promote canned foods to today's consumers.

Canned goods may not be fresh, but they can be sexy, and even funny. Years ago the Shop-Rite chain in New Jersey developed a television ad for its annual clearance sale of private label canned goods. The cartoon ad featured a line of French chorus girls doing the cancan, observed by a cartoon dwarf who bore a remarkable resemblance to the French painter Toulouse-Lautrec. All this to cancan music. The first time the commercial ran, Shop-Rite reportedly sold 50 percent more canned goods than expected, and the ads were pulled to prevent the warehouses from running out.

Shop-Rite is still running the cancan commercial every January, and years after it first ran "it's generating a lot of sales, certainly meeting our expectations," according to Howard Fruchterman, Shop-Rite's vice president of grocery.

More recently, the Canned Food Information Council (CFIC) has been trying to do something similar for canned goods nationally. Established in 1984 by members of the National Food Processors Association, the Can Manufacturers Institute, and the American Iron and Steel Institute, the CFIC has been attempting to raise the profile of the lowly can. One of the CFIC's main activities is a Canned Food Month promotion. The first of these ran in February 1987, with mixed results due largely to a late start. The second Canned Food Month is scheduled for February 1988.

The perfect package?

"If the can were invented today, it would be considered the perfect package," says John Porter, a vice president at Dole Processed Foods (San Francisco) and chairman of the Canned Food Marketing Committee, a group of industry executives that provides direction to the CFIC.

This may be something of an overstatement. After all, the consumer has become downright unreasonable about the concept of convenience. Says Donald Goerke, marketing director at the Campbell Soup Co. (Camden, N.J.), "Superconvenience used to be the ability to open up a can real fast and heat the contents up. Superconvenience today is opening up the package and heating the contents and eating them out of the container you bought it in. You can't do that with a can."

Still, continues Goerke, "Nobody at the Campbell Soup Company has written the can off." He points to the recent introduction of Home Cookin' soup—"a smashing success"—and "not in glass, not in plastic, in cans."

On a roll

"We think we're on a roll with this canned food marketing program," says Roger Coleman, vice president at the National Food Processors Association. "We're going into our fourth year, and we've seen some turnarounds in every category. The

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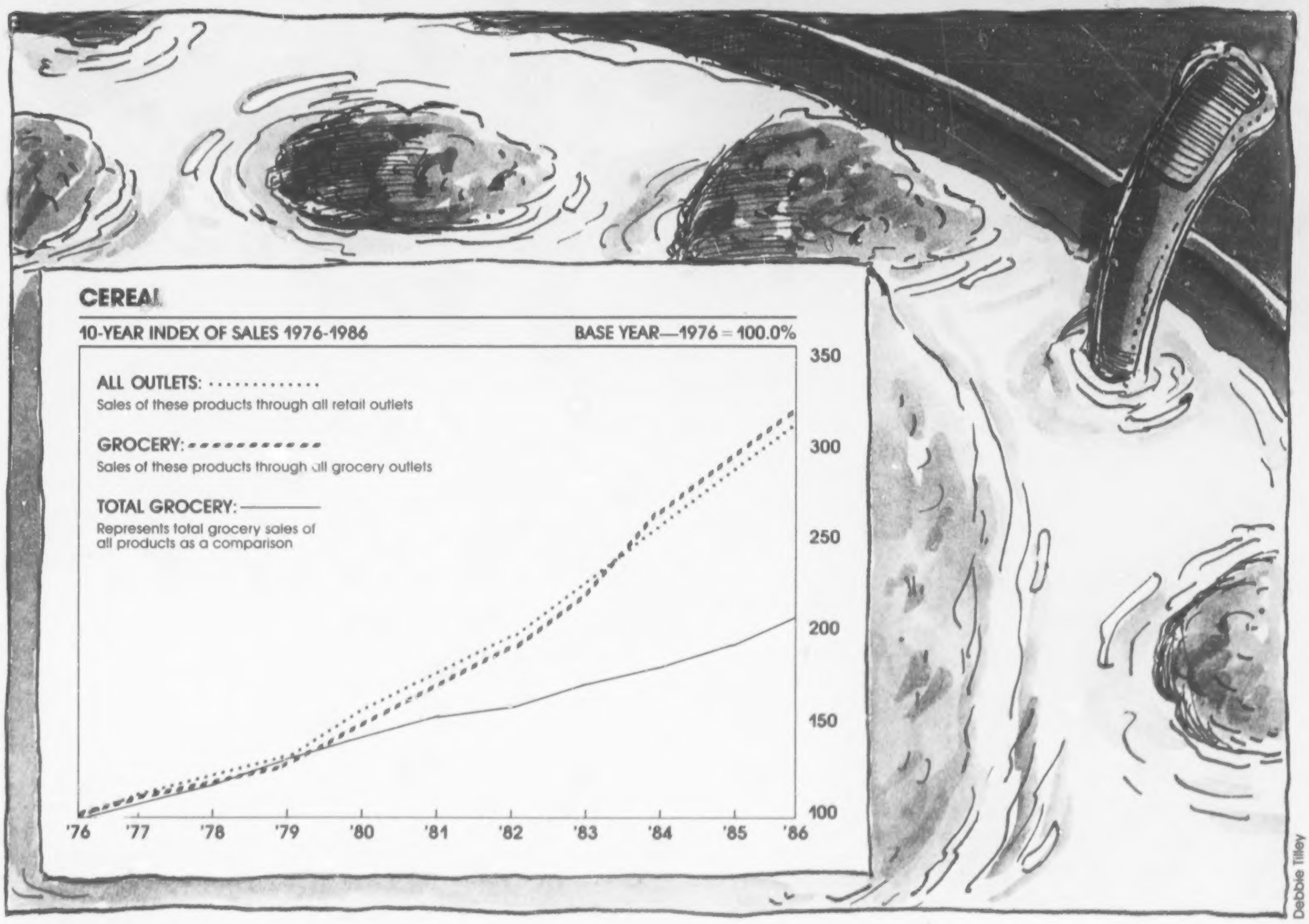
CEREAL



Debbie Tilley

Cold cereals continue to be hot sellers on supermarket shelves. New products continue to proliferate, but cereals based on cartoon or television characters are on the wane, it seems.

Have we seen the end of Mr. T in the cereal aisle? Barring his reappearance on another television show, it's a pretty safe bet that the cereal of the same name is gone for good. The cancellation of *The A Team*, the prime-time series Mr. T appeared in, undercut the popularity of the character. As cereal producers have learned, cancellation means trouble with a capital "T" for any cereal based on a licensed character. Sales of similar products are off, so fewer cereals based on licensed characters are likely to make it to the grocery aisle. For now, at least, cereal producers are turning to other kinds of products to boost sales.

"The cereal industry still remains an extremely competitive one, with a tremendous growth in terms of new product introductions," says Patrick Farrell, a spokesman for Ralston Purina (St. Louis, Mo.). These new product introductions are fueling, and being fueled by, the extraordinary pace of growth that cereals, and particularly cold cereals, have shown in recent years.

SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES) indicates that sales of cold cereals in grocery stores increased 10.2 percent in 1986, to $4.64 billion. Sales of cold cereals through all outlets increased 9.7 percent, to $4.76 billion. "The market environment," says Farrell, "is excellent," which is something of an understatement.

Cold cereals are the hottest and largest part of the breakfast foods category, providing 81 percent of the $5.81 billion total sales in 1986, according to the CES figures. The nation's grocery stores accounted for 97 percent of all sales of breakfast foods in the United States, pushing a total of $5.62 billion of product out the doors.

Intense competition

The size of the market, and its rapid growth, account for the intense competition, and the competition accounts for the new products. "It's a $5 billion market at retail, and so even a fraction of a share point gain translates into significant business," says Craig Shulstad, a spokesman for General Mills (Minneapolis). "It's very clear that we will continue to be very aggressive in this category."

There's even been some new product activity in hot cereals which, at eight percent of the breakfast food category, is a much smaller business than cold cereals, and a much slower growing one, too. The hot cereal category grew slightly last year; sales in grocery stores were up 0.8 percent to $412 million, according to CES figures. General Mills, hoping to see more growth in the category this year, is introducing a four-flavor line of hot cereal called Total Oatmeal. "It's a little bit of a strategic departure for General Mills," says Shulstad. Bringing the Total name along from cold cereal to hot cereal should help smooth out any lumps, however.

The big loser in breakfast foods was the small category of cereal bars, where sales

CEREAL

Rather than develop more character cereals, manufacturers are looking for a cereal with long-term opportunities.

declined 16.1 percent in grocery stores to $386 million. Toaster pastries were up 14.6 percent in grocery stores to $113 million.

With hot cereal and cereal bars acting as a drag on the overall category, breakfast foods as a whole did not keep up with the pace of growth in cold cereal. Total sales in grocery stores increased 7.1 percent compared to the 10.2 percent for cold cereals.

On hiatus

Most grocers will probably welcome the demise of licensed character cereals, which are based mostly on comic strip and television characters. These cereals were generally planned with a finite life of approximately a year, which meant that the grocer got to rearrange his shelves, reprogram his computer, establish a new bin at the warehouse, and then do it all over again in reverse 12 months later.

However, some manufacturers aren't saying that it's over. At Ralston Purina, which blessed the world with Nerds, Ghostbusters, and Rainbow Bright, spokesman Farrell is a bit cagey about the company's future plans for licensed character cereal. "I don't know as there'd be a move away from it. We've always had a nice combination of both," he says. For the present, though, Ralston Purina is without a licensed character cereal. "We've just wrapped up with Ghostbusters, our last one," reports Farrell.

At General Mills, it seems they never thought it was a good idea in the first place. "Nobody, obviously, would prefer to introduce that kind of a short-lived product, versus one that offers long-term opportunities," says spokesman Shulstad. However, he adds, "that strategy is viable if you've got a lot of capacity that you're trying to fill in the short term." This is called taking a poke at the competition.

"We're not interested in the short-term strategy," Shulstad goes on. "When we introduce a product these days, we want it to have staying power, because the cost of introducing new products on a national scale is significant. And we don't have a need to fill excess capacity. Our preference is for the long haul."

All this should be music to grocers' ears. The only thing the General Mills spokesman might have added is that the long-term strategy makes life easier for the people who sell 97 percent of the cereal that's sold in this country.

The biggest disadvantage of licensed characters is their short life. As soon as the television show gets canceled, the character fades from the public mind, and that's the end of the cereal.

Still, there's no question that such characters humanize the cereal, giving kids and grownups something to relate to, and giving the people who write television commercials something to write about. The solution is to get characters with longer lives, something Wheaties has done for years with athletes—and then, of course, there are the characters that live forever, like Tony the Tiger.

Long live the king?

Inventing your own cartoon character has obvious attractions, but it isn't easy to duplicate the success that Tony has had over the years. Ralston Purina, however, having closed out Ghostbusters, is prepared to give it a try with King Ayummayumma. The company says "he promises to be the next major figure in the children's presweetened category, rivaling figures such as Tony the Tiger."

Good luck. King Ayummayumma's cereal is called Fruit Islands. Introduced in April of this year, it's a presweetened children's cereal that's multicolored and crunchy. The actual nuggets of cereal are referred to as islands, and they come in natural fruit flavors including cherry, orange, and lemon. There are also real bits of apple.

King Ayummayumma is the ruler of the Fruit Islands, which are presumably somewhere in the South Pacific when they're not in the box. King Ayummayumma and a supporting cast of original characters appear on the box and in television commercials.

General Mills also has a new cereal in the children's category. Called Ice Cream Cones, its gimmick is that the pieces of cereal are shaped like little ice cream cones and little balls of ice cream. Shulstad of General Mills reports that the cereal, which is available in both vanilla and chocolate flavors, is selling well. "In fact," he says, "it's far exceeding our expectations at this point in terms of consumer acceptance."

Shulstad attributes this success not to the ice-cream cone gimmick, but to good taste. "The product tastes amazingly good," he says. "I have a feeling there are an awful lot of adults who are going to end up eating this product."

This would be, apparently, an unintended outcome. Cereal manufacturers have recently been targeting many of their new cereal introductions either at children or at adults. The broad-spectrum cereal, appealing to people of all ages, would appear to be a phenomenon of the past, or perhaps, a happy accident of the future.

Two targets

The reason has to do with consumption patterns. As Shulstad of General Mills puts it, "The demographic profile is skewed at either end." What this means, in English, is that kids "eat an awful lot of cereal." Then, when they hit their teens, a lot of them just stop eating breakfast. Others eat things that give their mothers gray hair. This approach to breakfast often carries over into the 20s and even the 30s. And then, reports Shulstad, "people tend to come back to eating what we consider traditional breakfast foods, such as cereal." This is particularly noticeable when people hit their late 40s and early 50s, and it continues thereafter.

The two major groups that consume cereal, then, are very different. There are some common threads, however. Nabisco (Parsippany, N.J.) feels that "the entire industry is aware of and is responding to a public demand for nutrition with taste." That would certainly explain the proliferation of fruits and nuts in cereals for children and adults.

Health, however, is undoubtedly a greater selling point with adults than it is with children. Kellogg (Battle Creek, Mich.) recently took direct aim at just about every adult health concern when it introduced a cereal called Nutrific, which is low in fat and cholesterol and contains several kinds of fiber. The cereal's basic ingredients are oats, bran, almonds, and raisins. Just to make sure everybody gets the point, Kellogg is promoting Nutrific in cooperation with the American Health Foundation, a nonprofit education and research organization. During the introductory period, each package of cereal will contain a booklet with guidelines about weight control, ways to detect

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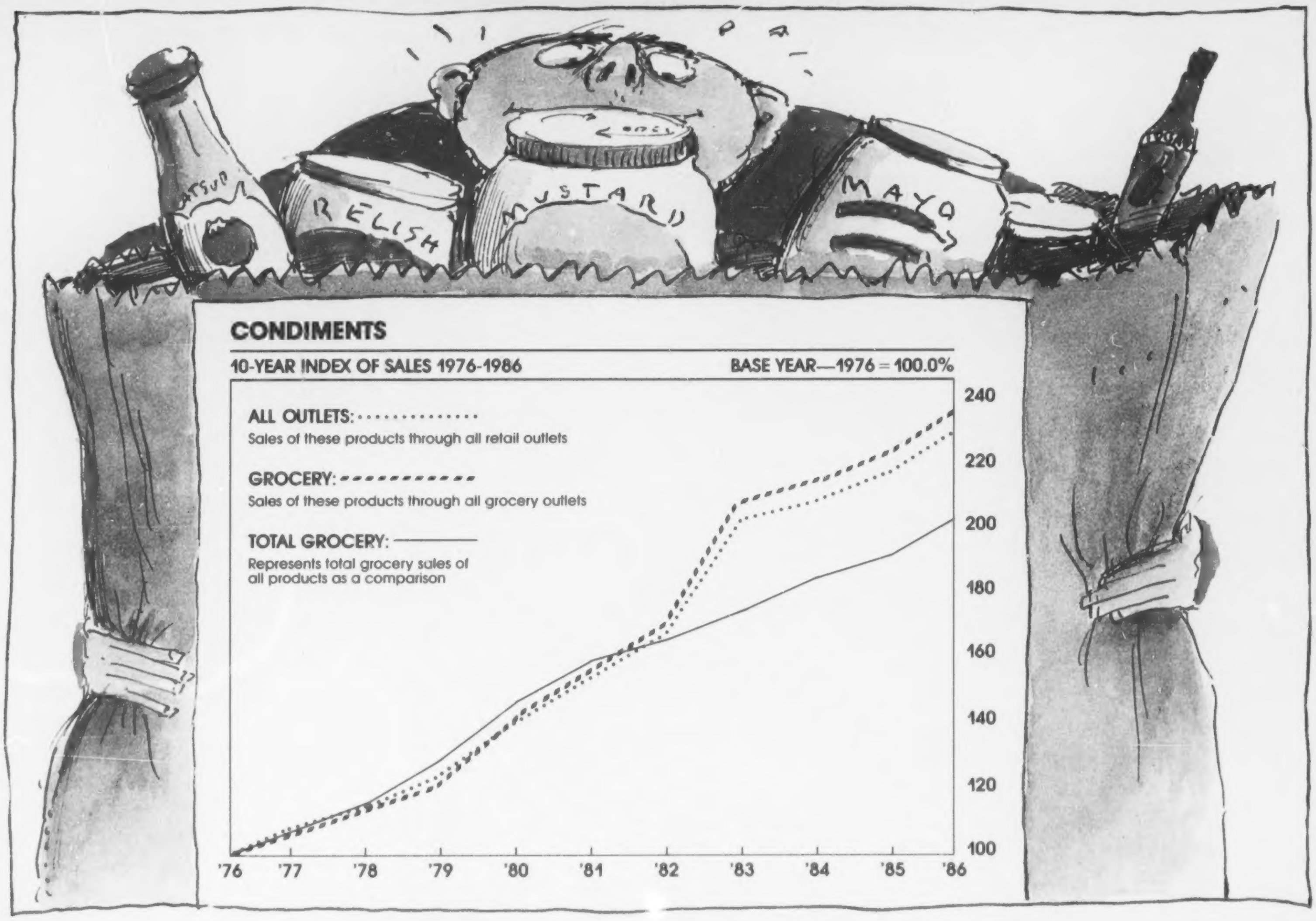
CONDIMENTS



Debbie Tilley

New opportunities and new risks abound for condiment producers as more consumers look to the supermarket for the spice of life.

The American palate is getting more adventurous, going beyond the traditional meat-and-potato fare to food prepared with exotic mixtures of spices and seasonings. If there's such a thing as a "typical" American meal today, it might include blackened Italian meatballs nestled in Oriental noodles Alfredo, with a Creole enchilada on the side.

Call it the Spicing of America. Call it the melting pot at work. Call it a windfall for the antacid industry. But by any name, the American hunger for new taste experiences is creating risks and opportunities in the $7 billion market for condiments, dressings, spreads and relishes as consumers stray from the scratch basics to pay premium prices for the convenience of exotic pre-blended sauces and seasonings.

Despite the increasing number of brands and flavors, however, total grocery sales for condiments seem to be losing momentum. According to SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES), category growth slowed from 5.1 to 3.0 percent. While many factors are at play, one of the most visible changes is a slowdown in the growth rate for spaghetti sauces.

Segmenting sauces

In 1984 and 1985, spaghetti sauce was racking up 10 percent sales gains as more consumers were switching from red meat to pasta dishes. The 1986 CES shows grocery sales growth tapering off to 5.0 percent. But given the size of the category—sales in supermarkets cleared the billion dollar mark for the first time in 1986—few retailers complained about the extra $53.9 million flowing into their cash registers last year, and the category continues to expand as producers concentrate on line expansions that will further segment the category.

For example, the restaged Prego Plus line from Campbell Soup Co. (Camden, N.J.) will be introduced this month under the Prego Extra Chunky label and aimed squarely at the core of the spaghetti sauce category with two former Prego Plus items and three new all-vegetable varieties. The product, packed in the 32-ounce wide-mouth jars introduced with last year's Al Fresco line, will have the same case price as Prego's base line.

"We've been watching what's been happening with non-tomato based sauces, but clearly the bulk of the volume is in the red sauces," says Don Lowry, marketing manager for Prego sauces. "We want to maximize the opportunities on the base Prego business, especially with the chunky varieties and the red sauces, before we start to break out and fractionalize with a niche marketing strategy."

Filling the niches

The high and low end of the spaghetti sauce category won't suffer from promotional neglect, however. A low-end entry from Beatrice

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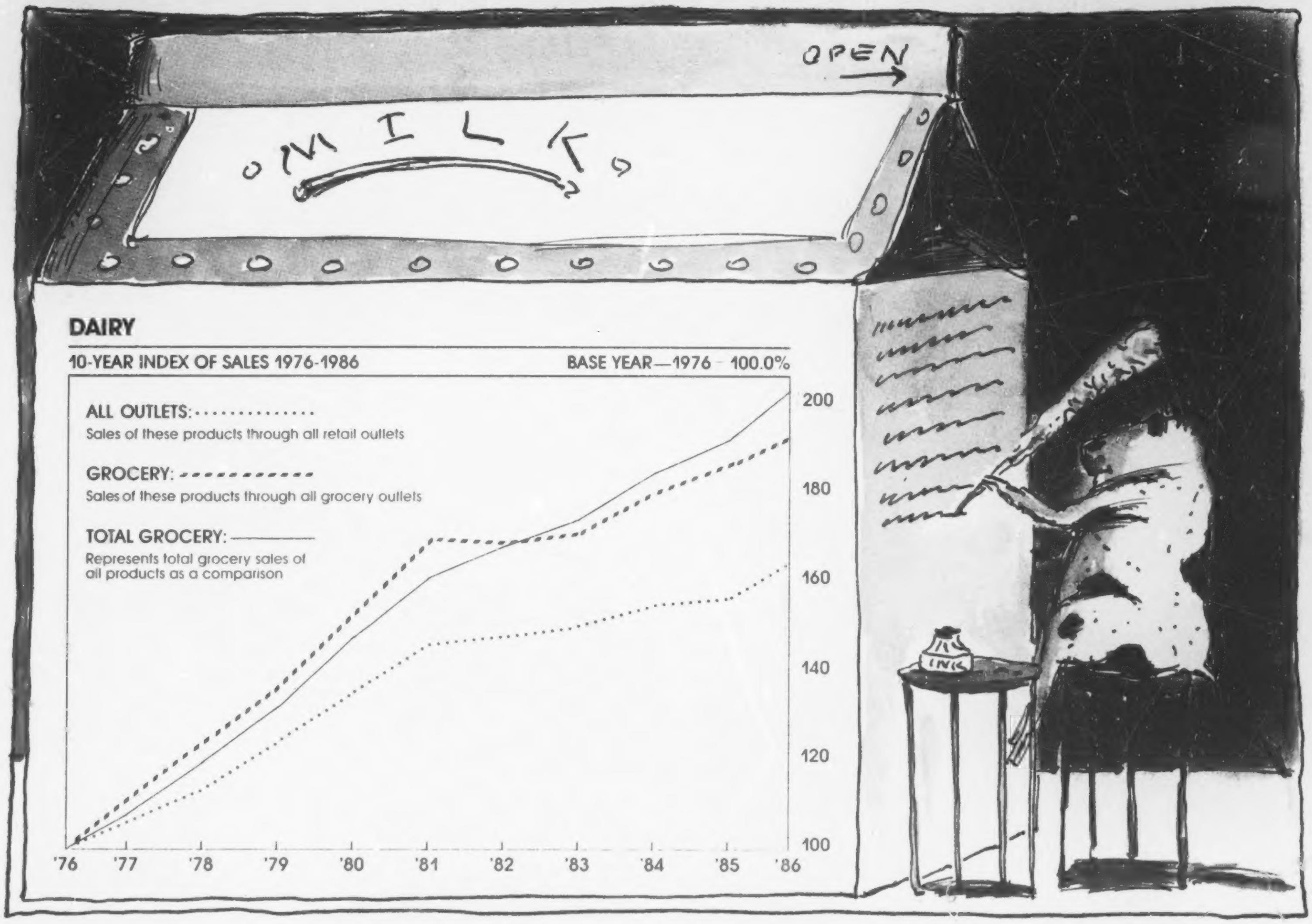
DAIRY



Debbie Tilley

Four years of steady growth in the dairy sales has led to a spate of new products—and bulging dairy cases.

The dairy category is headed for its fourth consecutive year of unprecedented growth, and could be taking center stage in many of the nation's supermarkets.

In its transformation from supporting player to one of the leads, the dairy case has been transformed. The consumer's appetite for new and exciting products has resulted in a spate of introductions. This has been particularly noticeable in yogurt, where many new brands and line extensions have made their debut, including, most recently, drinkable yogurts. These products are expected to appeal to existing yogurt users, as well as to those who have yet to be enticed.

This is not to say that the established performers like milk, butter and cheese are falling by the wayside. Consumption of all three is higher now than it was a year ago. However, some of these gains are diminishing, leading many retailers to expand their definition of what belongs in the dairy case. Total dairy sales were up 2.7 percent in 1986 according to SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES) to $37.7 billion. The grocery share of that business was up 3.2 percent to $19.2 billion.

This makes for exciting times for those involved in dairy merchandising. But there are major frustrations. Retailers want to cater to their customers, but just so much space can be had.

"Dairy is going to be the next area in the store to explode," says the director of frozen food and dairy for one midwestern chain. For several years, the space allocation for dairy in new stores has increased. Currently the section is up to 70 to 100 feet in his larger stores. "It's one of the highest turn areas in the store. At 23 to 24 percent, margins also outpace most other categories."

However, this executive also notes that dairy departments have become something of a catchall for other refrigerated products such as salad from the deli department. In some units, he adds, the success of categories such as yogurts and juices has resulted in less space for milk and imitation cheeses. "Some people in the industry are cutting back on the space for dry grocery to accommodate the proliferation of new products in dairy. After all, how many sizes of soap powder do you need?"

Ken Hanshaw, vice president of the dairy/deli division at Ralphs (Compton, Calif.) says, "There's not enough room in the stores to put in the growing number of dairy items. So we are becoming more critical of potential movement, or current movement on products we already handle." Instead of introducing many new products, says Hanshaw, the chain is trying to "weed out one-shot items" and instead, concentrate on products that seem to have long-term support from producers.

Growth rates for products in the dairy case varied in 1986,

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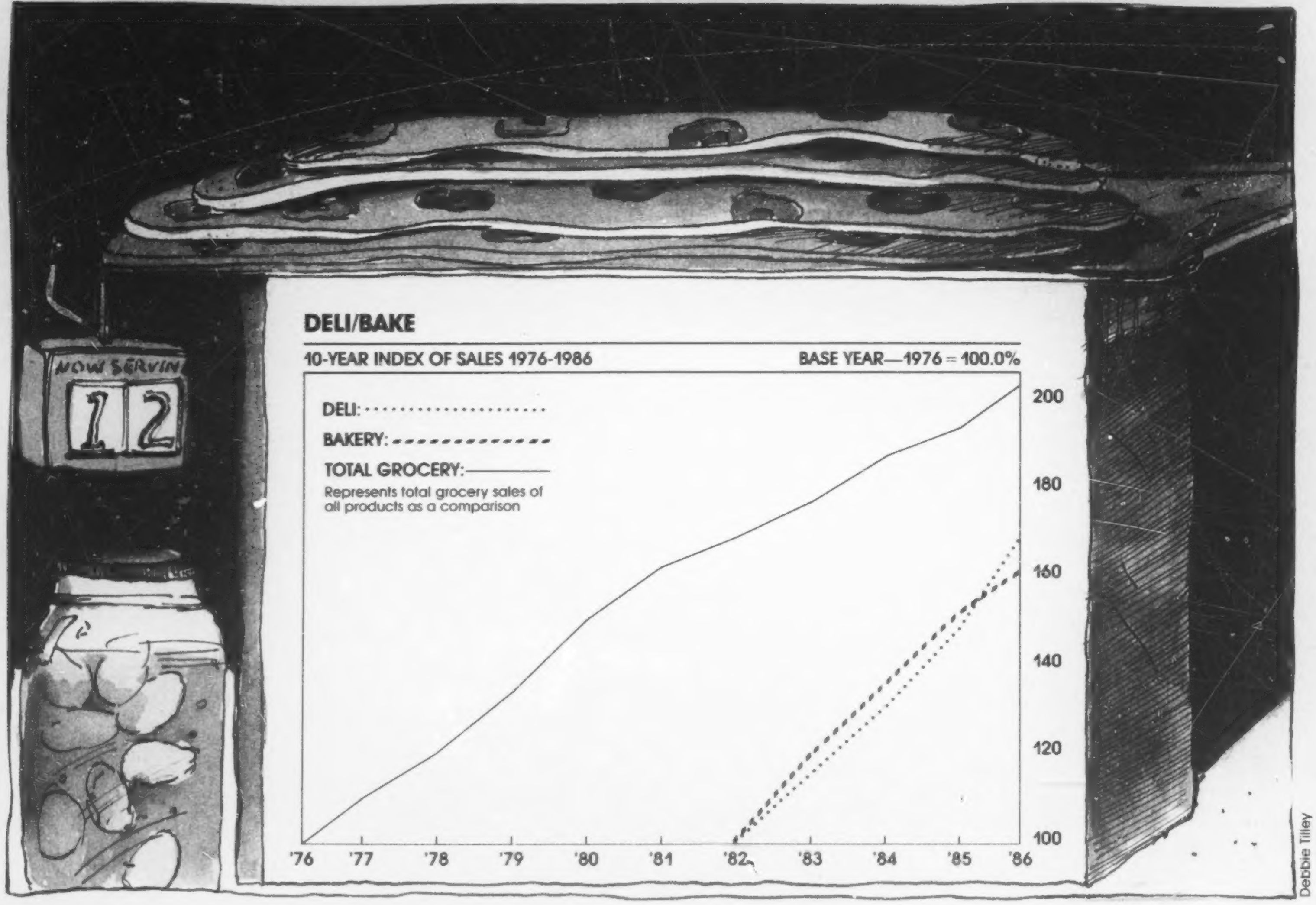
DELI



Debbie Tilley

Sales at instore delis increased slightly last year. This year, sales continue to be strong—and more delis are offering freshly prepared entrees for the convenience-minded.

As supermarkets continue to do battle for the convenience food dollar, the weapons used by instore delis have changed to meet this new challenge. More fresh prepared foods, less steam table fare, more sit-down areas for busy and hungry shoppers and, overall, inventive and creative approaches to the instore deli are now evident at many of the nation's supermarkets.

Last year, the number of instore delis rose some 3.5 percent, to 18,000, according to the Fifth Annual Operations Report of the nation's instore delis, which appeared in the April 1987 issue of INSTORE BUSINESS, (page 5A). The 40th Annual SUPERMARKET BUSINESS Consumer Expenditures Study (CES)reports that in 1986, service delis took in $6.62 billion, an increase of 13.5 percent over 1985. This continued sales growth is not matched by any other store department. Unlike the instore bakery, whose growth rate slowed a bit last year, the instore deli has been able to capitalize on convenience, by offering fresh, prepared foods.

At Larry's Markets in Seattle, for instance, the deli serves not only a substantial amount of microwavable entrees, all made instore, but also caters to a busy cafe crowd.

"We have a fairly seasonal rotating menu," says Nancy Lazaro, director of food services. "And we have cooks in the back who prepare these products for the deli and the cafe. So, for example, if today is the day that we're going to do chicken with some kind of apricot sauce, because apricots are in season, then we're going to have chicken with apricot sauce to be microwaved at home, and we're going to have chicken with apricot sauce at the cafe."

The microwavable entrees have been "the greatest surprise to us," Lazaro says, "because when we opened the doors, we didn't know if people were going to say 'Forget it, I'm not going to pay $9 a pound for this . . . I'd rather go back to my old boring macaroni salad for $1.49.' But it's been extremely successful, even here, in what is not an affluent neighborhood at all."

More cafes

Whether shoppers buy these new instore prepared entrees to eat at home or at the store, increasingly, they have an option to do either, as more supermarkets are putting in sit-down eating areas. Not every cafe or restaurant is as commercially attractive in its own right as the one at Larry's, which does a sizable business from the crowds who flock to a nearby movie house, but a large percentage of these new additions to the deli are worthwhile.

The restaurant at Toddy's, in Denver, is meant to exist as a restaurant in its own right, not merely as an adjunct to a supermarket. Likewise, Amarraca, the singular upscale supermarket in Pittsburgh, has a restaurant also meant to stand on its own. Neither is doing spectacular business, although both

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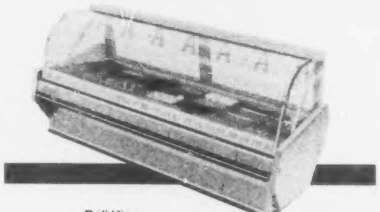

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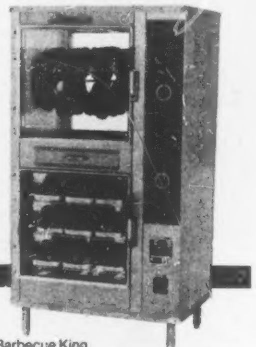

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DELI

remain open, and do draw diners.

The success of this kind of instore service depends not only on the placement of the restaurant or cafe within the store, but also of the nature of the store, its demographics and its market area as well. Larry's Market is fortunate in having a busy movie complex within a stone's throw of its cafe, whose windows open out onto the mall, and thus appealing to a hungry apres-cinema crowd. Some of the other instore restaurants are less inviting to a walk-in, perhaps non-shopping crowd.

Many more stores are placing the deli either first or second in the store's traffic flow. First in the store's traffic pattern has traditionally been the deli's position, but many stores had been placing the deli either last or against a back wall, forcing customers to move through the store to get to it. By placing the deli—and the sit-down dining area, if there is one—in a more convenient place in the supermarket, retailers are letting their deli-only shoppers, or just plain noshers, get in and out quickly.

Developments in convenience

In any event, the instore restaurant is a further development of the deli in this age of convenience, as chefs in supermarkets hone their skills on freshly prepared entrees. Many units, about 34 percent, have put in sit-down eating areas (not necessarily full-scale restaurants) for shoppers who want to eat what they bought at the store. These eating areas, in addition to the stores that have snack bars, cafeterias or restaurants have expanded the service concept of the instore deli.

Many more stores are offering freshly prepared, refrigerated entrees to be microwaved at home. Some 45 percent of instore delis sell refrigerated entrees; 47 percent have hot foods sold from a steam table.

In addition to freshly prepared refrigerated entrees, however, more delis are likely to offer pizza as a means of grabbing the fast-food dollar. Sales of pizza account for some 6.7 percent of the service deli sales dollar, while pizza, followed by refrigerated entrees, is the item most frequently added or given more space by instore delis.

Pizza and hamburgers are the most popular kinds of take-out food, according to a study conducted for Food Marketing Institute (FMI) and the Campbell Soup Company (Camden, N.J.) by Lieberman Research Inc.

Interestingly, people still have different impressions of take-out food offered by restaurants and by supermarkets. Supermarket take-out food is seen as better for you (that is, fresher, of higher quality, less expensive, more nutritious and more healthful), while restaurant take-out food is regarded as more enjoyable, that is, more fun to eat, more of a special treat and better liked by children.

Perhaps the growing number of instore restaurants can work to combine the favorable impressions of take-out food from both restaurants and supermarkets into something beneficial for the instore deli.

A challenge

"The challenge for supermarket take out food," the study says, "appears to be how to add fun and excitement to supermarket take-out food without losing people's positive impressions of supermarket take-out food."

Among the items that people would like to see added to take-out food counters are Chinese food and Mexican food.

Raley's (Sacramento, Calif.) is experimenting with a Chinese take-out counter at one of its supermarkets. The counter has taken off like gangbusters, company executives say, with people waiting three and four deep in line to buy Chinese food at all hours of the day. The store hired a Chinese chef, and allots the counter about five feet of space. Results are impressive enough for Raley's to consider expanding Chinese take-out to other of its stores.

The FMI/Campbell study also discusses changes in the nature

DELI

Compared to restaurant take-out food, supermarket take-out items are perceived as fresher and more nutritious, says one study.

of the take-out section. Among its findings:

☐ The take-out section should allow customers to call in and order ahead of time to pick up take-out food later in the day;

☐ It should allow you to call in and order take-out food that the supermarket delivers to your home;

☐ It should offer a drive-through window to pick up take-out food (some supermarkets have experimented with this concept);

☐ There should be more sampling;

☐ There should be different food specials every day;

☐ It should have take-out foods for people on special diets.

☐ It should enable you to see how the food is prepared (this is being done at more supermarkets, not only in the service deli, but the meat department and even produce, such as at the Tianguis supermarket in Los Angeles).

Although the take-out food industry is not a new one, it is still in a relatively early stage of adoption at the supermarket, as the FMI/Campbell study notes. Some of the recommendations for future growth of take-out business at the supermarket include:

☐ Raise people's perception of supermarkets as a place to buy take-out food, with attention-getting signage, special promotions, etc.;

☐ Facilitate people's ability to get in and out of the supermarket take out section fast, with a separate section, separate checkout counter, a possible separate entrance and exit from the rest of the supermarket, if feasible;

☐ Deal with the hot food problem, either by adding new hot take-out foods to the supermarket take-out section or by developing and offering acceptable alternatives to hot take-out foods;

☐ Consider promoting the positive values of supermarket take-out food over restaurant take-out food—fresh, high quality, nutritious, healthful; and

☐ Offer more services and amenities in the supermarket take-out section: Let customers sample items, provide free napkins, plastic tableware and plastic cups, and provide a menu of items available that day in the section.

Many of the retailers who responded to the INSTORE BUSINESS Fifth Annual Deli Operations Review said that they were implementing many of the suggestions that the FMI/Campbell study is making. Some 98 percent of supermarkets with service delis have some sort of sampling program, and 95 percent advertise their delis in newspapers. In addition, 86 per-

Continued on page 226

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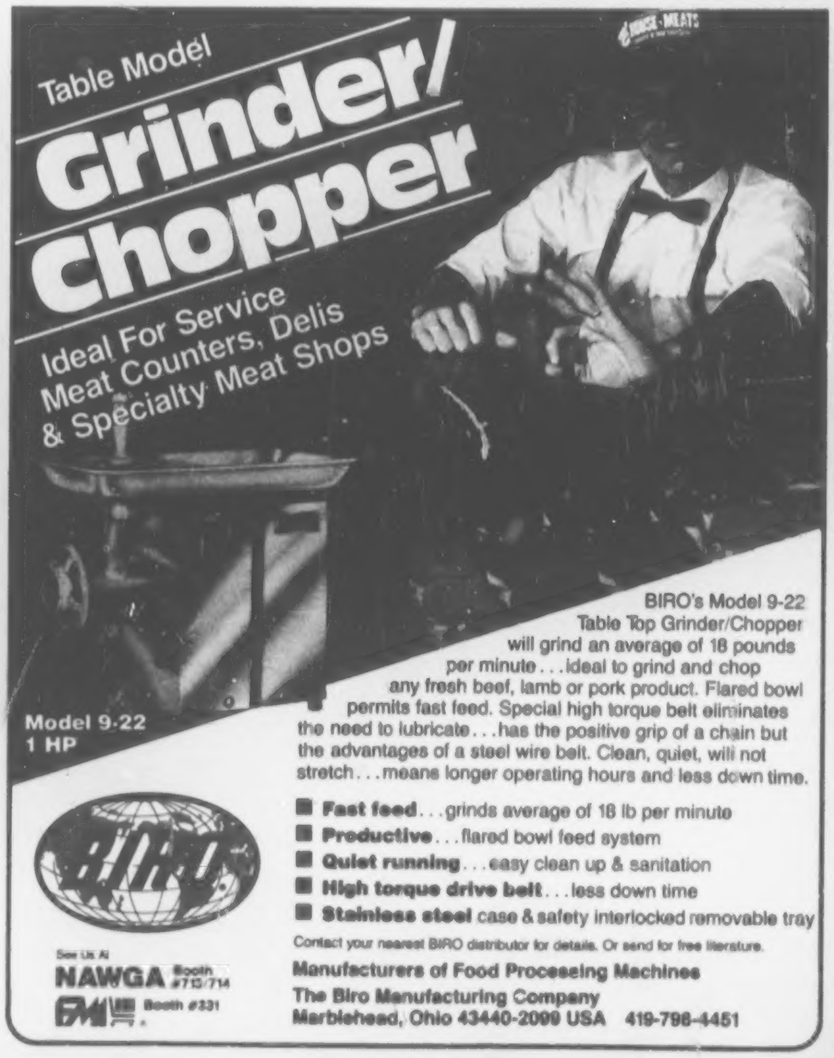
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Debbie Tilley

Low-calorie pizza seems to be all the rage, with independents and well-established producers bringing out new products.

April 1987: The Kroger Co., in association with the Memphis Health Center, announced a major program to improve the health and nutrition of Memphis residents. Called "Here's To Your Health, Memphis," the program, funded by a $30,000 grant from Kroger, will include health fairs at Kroger stores, a 24-hour nutrition hotline, food preparation demonstrations and counseling by nutritionists. "Poor nutritional habits have no economic or social boundaries," says Jim LeRoy, vice-president for Kroger in Memphis. "The total community is at risk. This program has the potential to effect a change in that situation with on-going activities."

While the program began as one directed to the minority community, it expanded to all of Memphis and, according to Caroline Bell, a spokesman for the Memphis Health Center, the response has been gratifying. As many as 200 people show up for each of Kroger's health fairs, many of them receiving cholesterol screening tests while they are there.

May 1987: The Great Atlantic & Pacific Tea Co. (A&P) expanded its "Vital Signs" instore nutritional awareness program to cover an additional 1,000 supermarket items, bringing total program coverage to 2,000 items. The program uses bright orange and white shelf tags and prominently placed signs to identify those products offering nutritional benefits such as contents that are sugar-free, low in salt, low in fat and low in calories.

And so it goes. The year past was one in which the diet food business became more and more an instore business, with chains and independents increasingly taking responsibility for the nutritional education of their customers. It is, after all, a pretty good market: estimates are that 60 percent of the women and 30 percent of the men in the U.S. watch their weight in any given year. And that doesn't even take into account the people who are trying to be careful about their cholesterol, blood pressure and other physical conditions often affected by diet.

In some cases, it meant just being a good example: in New York City, specialty food retailer Andrew Balducci, owner of the renowned foodstore of the same name, rewarded employees who participated in a company weight-loss program with checks totaling $100-per-pound if they could take off the weight in six months and keep it off for an additional six months.

Core business

But beyond the proliferation of fresh produce departments, and the meat and fish and poultry sections that are ablaze with signs reminding customers about cholesterol amounts and fat-trim programs, a core diet foods business remains that, in this age of fitness and health mania, continues to do a strong business.

In some cases, the products

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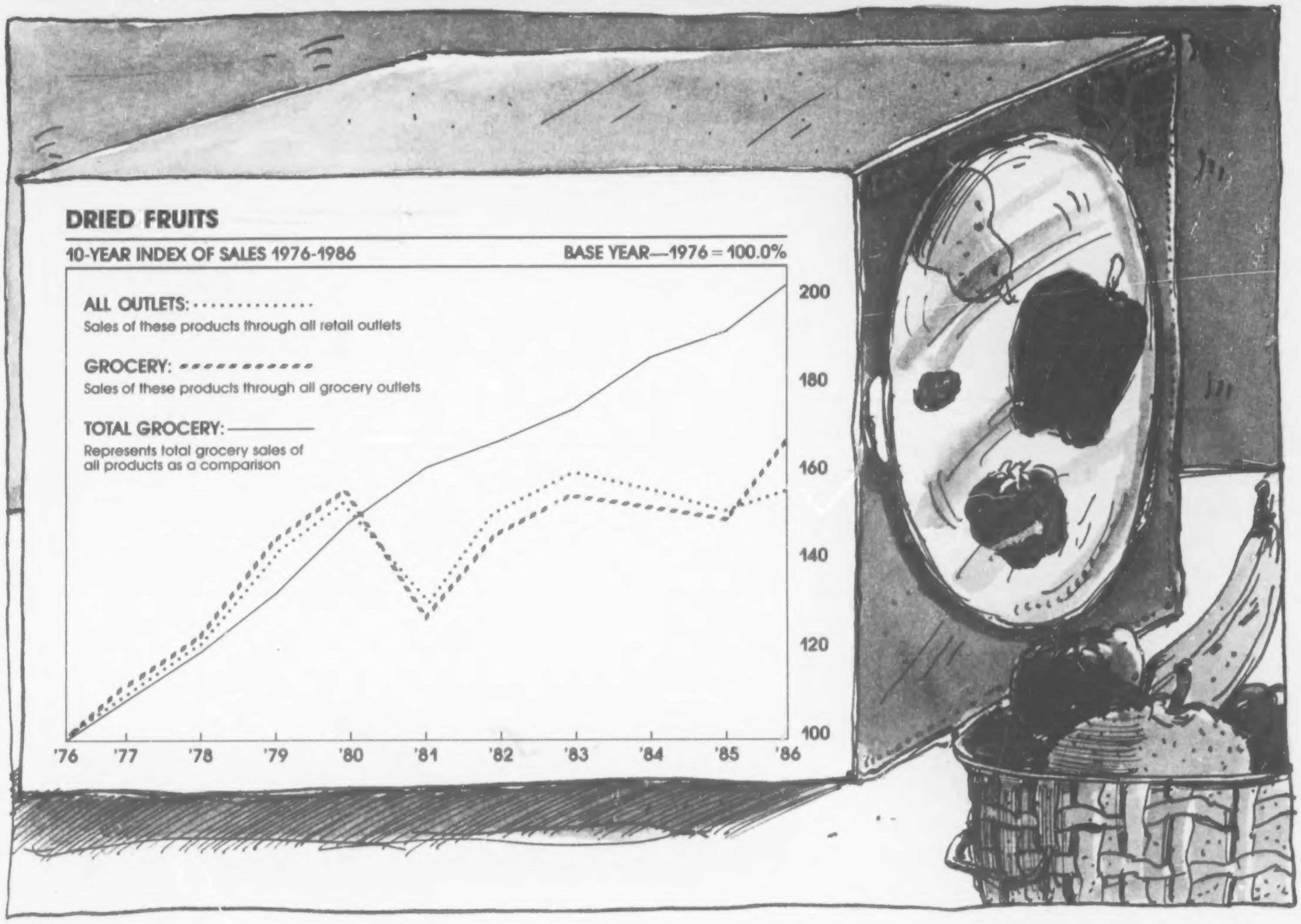
DRIED FRUITS



Debbie Tilley

Although the celebrated raisin campaign garnered a lot of attention to the dried fruit category, sales are still somewhat flat for dried fruit overall.

The dried fruit category got its share of glitter last year, when the humble raisin became the centerpiece for one of the most celebrated television commercials of 1986. But despite accolades from the advertising community, the "dancing raisin" commercials created by Foote, Cone & Belding (San Francisco) for the California Raisin Advisory Board (CALRAB) didn't lead to a spectacular increase in actual consumption of the product.

"Our domestic shipments are running almost identical to what we did the year before," says Clyde Nef, general manager at CALRAB (Fresno, Calif.). "If you look at consumer packages for 11 months, through to the end of June, last year we were about 70,000 tons, and this year, we're almost the same." Raisin consumption through institutional/industrial shipments, Nef adds, were also flat, at about 100,000 tons. But the lack of tonnage growth hasn't dampened CALRAB's enthusiasm for the award-winning campaign.

"You could look at the advertising campaign and say it's a total failure, because it didn't sell any more raisins," Nef says. "Or you could look at it from the other side, and say it's a success, because it's helped us maintain the higher shipments that we've achieved the last three years."

At the very least, the campaign has given the raisin's wrinkled image a funky facelift, according to Bill Hallier, director of marketing at Sun-Maid Growers (Kingsburg, Calif.). "Raisins are unphotogenic. It's difficult to make them look appetizing. The 'claymation' technique enabled us to give raisins a little character and positive imagery."

This year's challenge, according to CALRAB's Nef, is to "take that positive attitude and see if we can't turn that into growth in consumption." A follow up campaign, "Name the Raisin", will give the public an opportunity to give three of the little lumps of clay a new sense of identity.

Despite lackluster growth in domestic consumption, moderate price increases gave raisins a 3.8 percent increase in grocery store sales, from $263.3 million to $272.3 million, according to SUPERMARKET BUSINESS's 40th Annual Consumers Expenditures Study (CES).

That upturn, while not exactly spectacular, is a welcome change from the 6.9 percent decline in grocery dollar sales of raisins registered in last year's CES. And the extra $10 million generated by rising prices on raisins, combined with a $9.9 million increase in prune revenues, formed the bulk of the dried fruit category's $22.3 million increase in supermarket revenues, totalling $444.3 million in 1986. That's a 5.3 percent gain overall.

One of the main factors for the price boost in raisins and other commodities is the steady decline in mountainous surpluses. The weakening dollar, stronger export markets, a healthier wine industry and a voluntary diversion program among raisin producers have all

DRIED FRUITS

A key factor contributing to the dried fruit glut was the "greening of the third world," with increased product from Mexico, Turkey, Greece and Iraq.

taken a big bite out of surplus raisin inventories, according to CALRAB's Nef.

"We're going to be in a better supply and demand situation this fall than we've probably been in for five years," Nef says. The diversion program, he says, was begun two years ago, when the productive vineyard/failed winery syndrome created 400,000 tons of California raisins, twice as much as the world was ready to eat.

"The program has diverted about 190,000 tons that would have been produced in the last three years," Nef says. "Our export sales are up," he adds, thanks in part to the weaker dollar. A bigger chunk of the seedless green grapes used to make raisins has been used for wines, thanks to slightly improved export markets and the popularity of wine coolers.

Fighting the imports

A key factor contributing to the dried fruit glut of recent years was the "greening of the third world," a boon to producing countries like Mexico, Turkey, Greece and Iraq, but a bane to California, which had enjoyed decades of uncontested supremacy as the top supplier of the world's dried fruit.

The strength of the U.S. dollar earlier in the 1980s shriveled California's traditional export outlets and gave foreign competitors a competitive edge overseas. Foreign producers of dates, figs, raisins, and prunes have also established beachheads in the U.S. market, and have routed the domestic dried apricot producers, taking all but 30 percent of the market.

More recently, the dollar has weakened against European currencies. Combined with the government's targeted export assistance program, the more favorable exchange has helped California prune growers compete with France, expanding U.S. exports some 15 percent, according to Richard Peterson, marketing director at the California Prune Board (San Francisco).

California dates still dominate the U.S. market, with well over a 90 percent share. Sun Giant, Sun World, and other companies producing dates in Southeast California's hot, dry Coachella Valley, however, seem more concerned with the quality of the imports from the Middle East than the quantity, fearing that unlabeled product from Iran, Iraq and Israel could be confused with their domestically grown dates.

But if prunes and dates are more than holding their own, with sales increases of 11.8 and 2.3 percent, respectively, the California dried apricot industry has never fully recovered from the crippling impact of the Turkish Apricot Invasion of 1984.

Apricot woes

During that year, some 85 dried tons of Turkish apricots arrived in the U.S.—a supply that matched annual U.S. dried production. Aided by a huge crop and the attractive U.S. dollar, Turkish dried apricots were selling for prices as low as 87 cents a pound, a bargain compared to the $2.50 retailers were paying for California product.

Turkey toppled California growers from U.S. market dominance, with retailers shifting *en masse* to take advantage of the lower prices. In 1985, Turkey's crop came up short, however. California had a normal year, and Safeway and other major retailers switched back to the California product.

But the respite proved to be temporary. "Last year was pretty disastrous. We only had 50 percent of a normal [fresh] crop," Stokes says, of the damp weather that discouraged pollination. "We had a light year, and the weather just beat the fruit off the trees. There was everything—rain, hail, high winds."

The total fresh crop, Stokes says, weighed in at 47,000 tons, down from the usual 100,000 to 110,000 tons. Canned apricots, he says, took the brunt of the losses, but declines in dried product were still substantial. The shortfall was severe enough to lift prices in the $4 to $8 per pound price range, inducing major retailers to switch back once more to the Turkish product at $2 to $4.50 per pound.

With about 30 percent of the current U.S. dried apricot market and a $400,000 advertising budget, the California Apricot Advisory Board isn't about to stick sunglasses and sneakers on a piece of dried apricot and have it dance before millions of television viewers. "Very frankly, every time we spend a dollar on dried apricot promotion, we find that 60 to 80 percent of it is going to sell Turkish product," Stokes says.

The high price of the dried California crop also hampers using coupons and other traditional marketing efforts. For the immediate future, California apricot growers are placing their promotional bets on a small-scale direct-mail marketing test. Some hope to position their product for an upscale niche in a market they once dominated.

Some sunshine for prunes

Apricots weren't the only commodity affected by California's wet spring of '86. "The weather just didn't encourage pollination, and the fruit set wasn't as great," says the California Prune Board's Richard Peterson. "We're going to finish this past year's crop at about 99,000 tons, which is well below the normal [fresh] crop of about 145,000 tons.

"Fortunately," he adds, "we had a large carryover from the year before, which has kept us in stock. We're expecting a significantly larger crop next year," he continues, "170,000 tons. That's not unusual; the trees are well-rested, and so we're seeing a heavier crop out there right now."

Prune marketers are hoping to blunt the economic impact of Mother Nature by using their commodities in more value-added products. "The two major uses of prunes are snacking and for breakfast," Peterson says. "Pitted prunes are more convenient, so they're certainly in line with the increase in snacking."

Peterson adds that the California Prune Board has an active public relations program to encourage manufacturers to use prunes in manufactured food products. But he credits a joint advertising, sales promotion and public relations campaign positioning prunes as "the high-fiber fruit" as one of the most effective ways of broadening the product's consumer base.

These efforts, combined with a "modest" price increase, have contributed to the 11.8 percent increase in prune sales at U.S. supermarkets, according to this year's CES. The export market looks even brighter, Peterson says.

"We're currently conducting advertising, sales promotion and public relations campaigns in eight European markets," he says. "In those markets, we've experienced a 20 percent increase versus a year ago. Also, Japan has been a real bright spot—shipments have been up over 29 percent."

—FRANK HAMMEL

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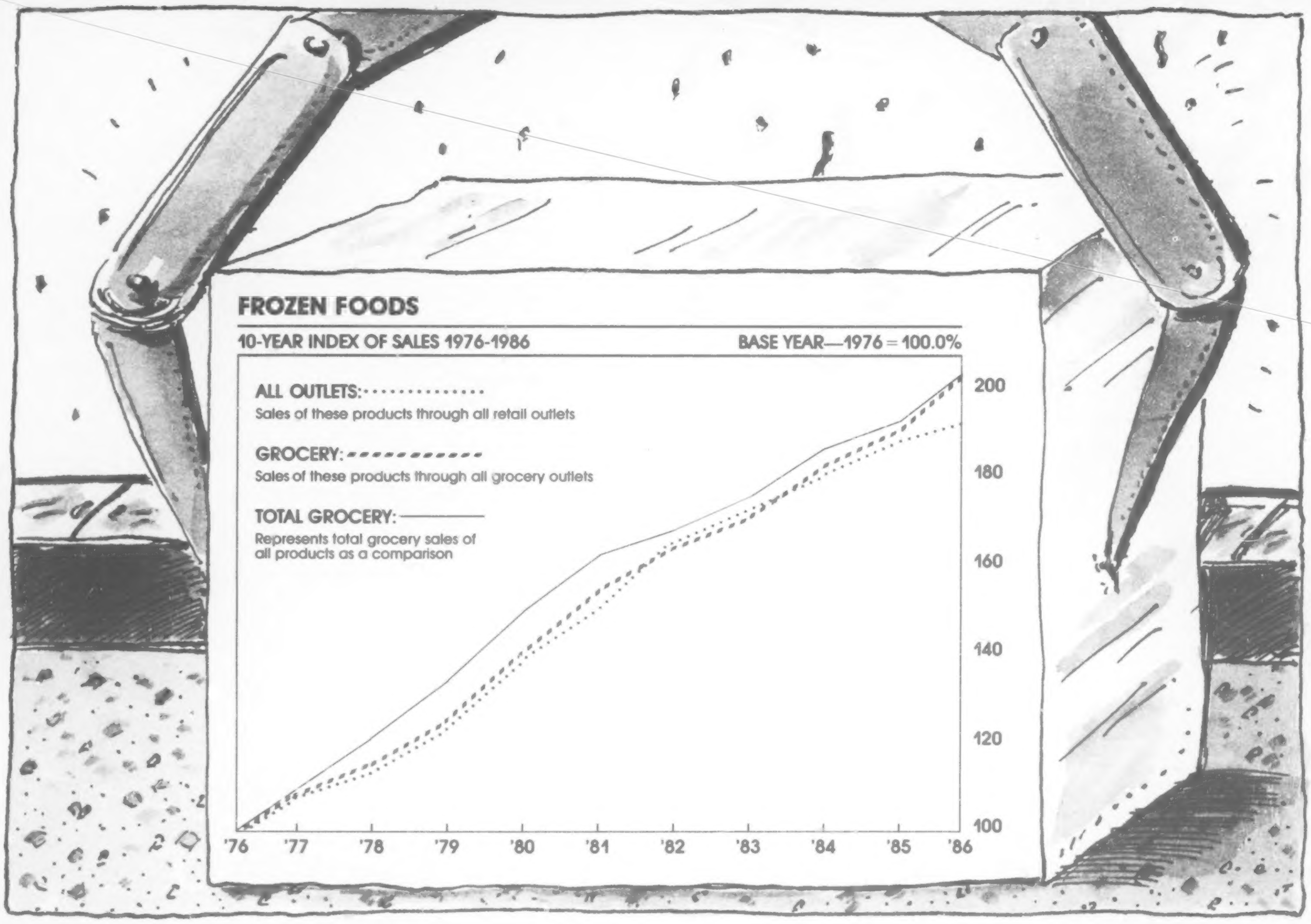
FROZEN FOODS



Debbie Tilley

Although sales of frozen foods are slowing, producers are jamming the freezer cases with new products and line extensions.

Since 1980, the frozen food industry has been getting a boost from the surge in demand for microwave ovens: almost 60 percent of households in the United States now have a microwave oven. Some 80 percent of all U.S. homes are expected to have at least one microwave oven by 1990, according to Find/SVP, a New York-based research firm.

But the microwave oven industry is rapidly maturing. As a result, the hot "microwavable" frozen food categories face an inevitable slowdown after years of double-digit sales increases.

Total frozen food sales in the U.S. actually declined by 0.5 percent in 1986, according to SUPERMARKET BUSINESS's 40th Annual Consumers Expenditures Study (CES), from $17.6 to $17.2 billion. (This year's CES adds the $720 million "vegetable combinations in sauce" category, which pushes the total up to $18.15 billion.)

Sales at supermarkets, meanwhile, grew by 2.4 percent, to $12.97 billion, and with the new vegetable category factored in, this year's CES shows supermarket sales at $13.7 billion for 1986. That 2.4 percent growth rate at supermarkets is down from the 5.5 percent rate of growth registered in last year's CES, and the 7.0 percent gain the year before that.

But total sales of frozen foods at supermarkets still advanced by $1.39 billion from 1984 to 1986. Despite the slower growth rate, the bulk of the sales gains are still being made with microwavable dinners, entrees, breakfast items, frozen poultry products and one category that didn't even need a microwave to stay hot— frozen novelties.

Frozen space crunch

Flatter growth curves on the frozen foods horizon can already be seen in sales figures for prepared entrees and dinners. With the exception of frozen Mexican foods, which surged in sales by 15.6 percent for a grocery total of just under $300 million, every prepared food category SUPERMARKET BUSINESS tracks showed a slower growth rate than the previous year. Oriental foods took the most abrupt nose dive, with an 11.3 percent decline wiping out 6.3 percent sales gains from the previous year.

As a whole, the frozen prepared food category slowed from an 8.3 to 4.4 percent growth in grocery stores, with the dinner/entree segment slowing from 10.3 to 6.8 percent growth. Dollar gains were still substantial, with dinners and entrees making up most of the $106.3 million net increase.

Despite slower growth, new product and line extension activity is accelerating. As manufacturers try to stretch the natural limits of category growth with ever increasing levels of advertising and coupons, retailers are feeling the pressure to expand frozen shelf space at a rate that might not seem justified by sales increases.

"We're seeing an enormous increase in new products—a lot of new dinners crowding out old dinners that were relatively successful," says Robert M. McMath, chairman of Marketing Intelligence Service Ltd. (Naples, N.Y.), a research firm for new products. The freezer case is one of the hottest spots for some 6,000 new products that manufacturers hope to find some space for at supermarkets this year, McMath says.

Freezer case frenzy

Lean Cuisine from Stouffer Foods Corp. (Solon, Ohio), launched in 1981 after 10 years of research and development, has triggered an avalanche of new frozen entrees, most of them trying to be, in McMath's words, "leaner and cuisiner" than the rest. Stouffer, a subsidiary of Nestle Foods Corp. (White Plains, N.Y.) has since added to the frenzy by fattening Lean Cuisine from 10 to 25 items.

Frozen dinners suffered a three percent decline in unit sales last year, according to figures from Nielsen Marketing Research (Northbrook, Ill.). But the dinner category is by no means exempt from new product activity, especially at the high end dominated by the Le Menu line from Campbell Soup Co. (Camden, N.J.).

Last October, Stouffer launched its six-item Dinner Supreme line in about half of the country, at suggested retail prices of $3.19 to $3.79. Stouffer plans to roll nationally with the line this fall, and add four new items—Chicken Monterey, Chicken Parmigiana, Veal Parmigiana and Turkey Divan.

Earlier this year, General Foods introduced its 10-item Fresh Creations line of dinners under the Birdseye label, also at prices that venture toward the $4 mark. In what seems to be a tradeoff from convenience to quality, the boxed dinners come in three pouches, each with a different microwave cooking time.

The Armour Dinner Classics line from ConAgra Frozen Food Division (Ballwin, Mo.), which opened up the gourmet dinner category back in 1980, was reworked in May to a 15-item line with new flavors, graphics, and a round microwavable plate replacing the rectangular one, for more even microwave cooking and less spillage, according to Susan Hanley, a company spokesman.

ConAgra also introduced new packaging and flavors for its Dinner Classics Lite line, 12 items targeted for calorie-conscious gourmets—the same segment sought by Heinz's Boise-based subsidiary, Foodways International, with its new Weight Watchers Candle Lite line.

Tyson Foods Inc., which introduced its six-item Chicken Entrees dinners in 1985, extended the line last year to 12 items, and expanded again in May with the introduction of its Chicken Dijon, Chicken Mesquite and Chicken Peking varieties, which retail in the $2.99 $3.49 range.

The All-American Gourmet Co. (Orange, Calif.), which found a value niche when it introduced Budget Gourmet in 1983, now covers the frozen waterfront with entrees, dinners, calorie-count items and a new 20-item line of side dishes. The brand is likely to extend its reach, with the support of its new corporate parent, Kraft Inc. (Glenview, Ill.)

A plunge into entrees

With all the new product activity in the freezer case, it might seem an inappropriate time for Campbell's Swanson division, already the number one brand in frozen dinners, to ask retailers to make space for a 16-item line of frozen entrees. But with the help of the biggest sales force in the country, Swanson has managed to elbow some room from its pricier competitors for Homestyle Recipe Entrees since the line's full launch in May.

"We tested close to 75 different varieties, and narrowed them down to this grouping," says Sharon Trainor-Smith, acting director for Swanson new products. "The strategy was to offer new and unique items to the category, like scalloped potatoes and ham, chili, and seafood creole. To compete against the leading brands like Stouffer and Budget Gourmet, we're offering items that, we felt, were as good as others at a lower price, or better than theirs at a comparable price."

All but two of the Swanson's items fall in the $1.49 and $1.89 price points, Trainor-Smith says, with two $2.39-items—Chicken Cacciatore and Seafood Creole— positioned to compete on a Lean Cuisine level. "The competition for shelf space is very intense," Trainor Smith says, "but that was one reason for Swanson

Continued on page 232

FROZEN FOODS

Competition in superpremium ice creams is as hot as ever. But new product activity in the novelty segment may be the most intense.

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CONSUMER · EXPENDITURES · STUDY

GENERAL MERCHANDISE

Debbie Tilley

Small independents have a tough time aligning what they are being told about the potential of general merchandise with what they can do.

General merchandise. The phrase can cover anything from automotive supplies to shoelaces, from periodicals to hardware, from housewares to stationery to simple children's toys.

And just look how the dollars can vary within the category. According to SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES), shoppers spent $3.7 billion in grocery stores on automotive supplies in 1986, $32 million on shoelaces, $1.5 billion on periodicals, $2.4 billion on hardware, $1 billion on housewares, $127 million on stationery, and $268 million on toys.

What links these sundry products together, at least in the supermarket business, is that retailers often have not known what on earth to do with them. Not that there has been any lack of advice. One expert will suggest segregation of nonfoods, another will advise integrating nonfoods into the grocery aisles. Some will advocate high-ticket general merchandise, while others will support a more conservative approach. Which often leaves the retailer, unfortunately, more confused than ever, wondering if there is any right way to sell general merchandise (GM).

Well, there isn't, at least according to Harold C. Lloyd, president of Team Consulting Associates, a Virginia Beach, Va.-based company that specializes in assisting independent supermarkets and small chains in establishing a lucrative and viable nonfoods presence. The best stores, he says, are those that are committed to GM, that pay attention to the category, that "design their displays to fit square inches of space, not square feet. I'm talking about general merchandise departments that are completely planogrammed, not just set up at random."

Some better off

Lloyd began his career in the family business, Lloyd's Shopping Centers (Middletown, N.Y.), which operates impressive combination stores throughout upstate New York; he originated a concept called B.A.D.D. (Big Al's Deep Discount), which applied a food warehouse selling approach to the drugstore business while maintaining an impressive selection of both food and GM. He notes that large and medium-sized chains are often better able to get into the GM business because size usually implies greater expertise and financial strength.

Take, for example, Price Chopper (Schenectady, N.Y.) and P&C Food Centers (Syracuse, N.Y.). In a matter of months, both chains opened new stores featuring enlarged GM departments in the Syracuse area. P&C's approach was a combination of integration and segregation of merchandise, and far more modest than Price Chopper's, which featured a central core of nonfoods that existed, quite literally, as a store within a store. (For more on the two stores see SUPERMARKET

GENERAL MERCHANDISE

There is less resistance on the part of retailers to expanding their nonfoods baby needs sections.

BUSINESS, August 1987.)

"I haven't seen anyone in the market who's really better than those two," Lloyd says. "Price Chopper obviously spent a lot more money in terms of space allocation, design and fixturing, and P&C took a much more conventional approach." But that isn't to say that Price Chopper's approach is better. Says Lloyd, "It is still to be seen who will do better in that market."

Tips for success

Small independent stores tend to have a far harder time of it, struggling to align what they know about the supermarket business with what experts are telling them about the potential in nonfoods, especially general merchandise. But Lloyd says, "Even for independents who don't necessarily have a lot of money, there are seven or eight things I'd suggest right away to help them make a real impact in general merchandise.

"We're not necessarily talking about big sales dollars here," he concedes. "But we are talking about a level of profitability that supermarkets simply have to look at."

First, Lloyd says, get into the video rental business. "If you have any kind of volume, it can be a huge draw for you," he says.

Second, develop a simple j-hook/clip strip/bucket plan. "You can have three or four per gondola, they can be cross-merchandised with the food departments, and they can generate a lot of impulse sales." Lloyd says he was recently in a food store with clip strips so old they had cracked and displayed merchandise so old it had three or four different prices on it. "It was symbolic of how that store felt about GM," he says.

'Tis the season

Third, do lots of seasonal promotions. "It's terrible," Lloyd says, "when you walk into a store and you don't see Easter baskets or Halloween costumes or Christmas decorations. On a timely basis, seasonal promotions can be terrific."

Fourth, he says, make sure every week's ad has a GM item highlighted—and then put it on an endcap so even more attention is drawn to it.

Fifth, "Buy shelf talkers," he says. "They make people stop and take notice."

Sixth, Lloyd suggests, "Pay attention to your checkout merchandising. Don't let it be a dust catcher, and don't just give it up to the magazine and candy manufacturers." Lloyd suggests visiting a Wal-Mart or a home center store like Rickel's and see how it uses the checkouts to sell everything from office supplies to small hardware. "They do a wonderful job," he says, "and there's no reason a supermarket can't do the same thing."

Seventh, he says, spend some time looking for a source that can effectively aid in the selection and merchandising of general merchandise.

Eighth—and perhaps most important—Lloyd suggests, that "A supermarket has to have someone in charge of nonfoods. Sometimes it seems that there is nobody in charge of general merchandise, that it is expected to sort of take care of itself. Well, it can't."

Cleaning up

One small, independent supermarket chain that has used general merchandise to great success—albeit in an unconventional way—is the Haslett, Mich.-based Goff Food Stores. According to Mike Schneider, director of store operations with the three-store operation, "We don't go into blue jeans and we don't get into microwaves." But what they do get into, he says, is Hoover vacuum cleaners.

"What happened," Schneider says, "is that the owner used to have a hardware store, and he started thinking about putting the Hoover vacuum cleaner stands into his supermarkets. He did, and let me tell you, it is possible to make a lot of money selling Hoover vacuum cleaners."

In Goff's three stores, which average 33,000 square feet in size, nonfood sales contribute between 8.5 and 9.5 percent to total gross, according to Schneider. And a lot of it can be traced to the Hoover affiliation.

"We found that the best way to do it is to have a Hoover endcap 52 weeks a year," Schneider says. "We move it around to different parts of the store, depending on when it is, but it's always out there." On top of that, local television ads by the Hoover company mention the store's identity, and the store responds by giving an entire page of its weekly eight-page circular to Hoover once every

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GENERAL MERCHANDISE

One independent has built his nonfoods sales by featuring Hoover vacuum cleaners; another by using a five-and-ten-cent store supplier to fill his GM needs.

six or eight weeks. (General merchandise gets a full page every week; when Hoover's ad runs, no other products are mentioned.)

On its own

Goff's doesn't just leave it to Hoover to bring in its general merchandise sales. The chain just completed a sidewalk sale that raised the nonfoods sales percentage to better than 11 percent, Schneider says, and the chain also has an aggressive video rental policy that cross merchandises tapes with popcorn, or pizza or a variety of other products.

Schneider attributes much of the store's nonfoods success to Spartan Stores, the Grand Rapids, Mich.-based wholesaler. "I'll tell you a story," he says. "We never had a j-hook program, because we just didn't like things hanging off our shelves. But Spartan Stores came in here and made a good, solid presentation and we decided to give it a try. And now we're selling a tremendous amount of product off j-hooks, and not just in the grocery. We have them in the meat department, in the dairy, everywhere you can think of. We're selling egg slicers and cheese cutters and corn cob holders and just about everything else."

Another somewhat unorthodox approach to general merchandise can be found at Foster's Shop-n-Save (Bryant, Ark.), a three-store chain located in a suburb of Little Rock. Roy Foster recently opened his third store, and it features a much broader range of nonfoods than he ever sold before. What makes it somewhat unusual is that Foster buys all his GM from Ben Franklin, the five-and-ten-cent store company.

"A good deal"

"We buy everything from Ben Franklin," he says, "from light bulbs to batteries to toasters to mixers to ironing boards and soft goods and gadgets and utensils. We've been doing it for about a year and a half, and I hope it has turned out to be a good deal for them, because it looks like a great deal for me."

Foster's new store is a 24,000-square-foot conventional unit with at least one twist: he's got a dry cleaning pick up/drop off service. He estimates that better than 4 percent of sales come from general merchandise, and that roughly 4,800 square feet of the store's space is devoted to nonfoods. "We also promote GM with advertising, we put things on endcaps to get them up and down the aisles," he says. Three pages of the weekly 12-page circular are devoted to general merchandise.

Making the leap into general merchandise was necessitated by Foster's proximity to major stores such as Kroger and Safeway in the Little Rock area, he says. To beat them, he had to join them. "The demographics of our locations are that we have 10,000 people within a four-mile radius, and we wanted to build a store that meets the needs of those people," he says.

Trusts himself

"We segregated GM from the rest of the store mostly because I wanted to," Foster says, noting that he is inclined to follow his own instincts in such matters. "The people from Ben Franklin asked me about that, and didn't really want me to do it that way. But my feeling is that if people are shopping for GM, and they are looking for toys, you don't

Continued on page 230

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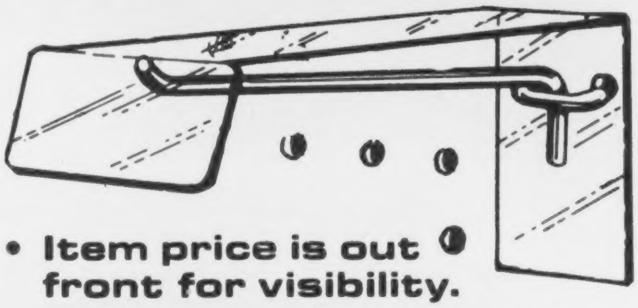

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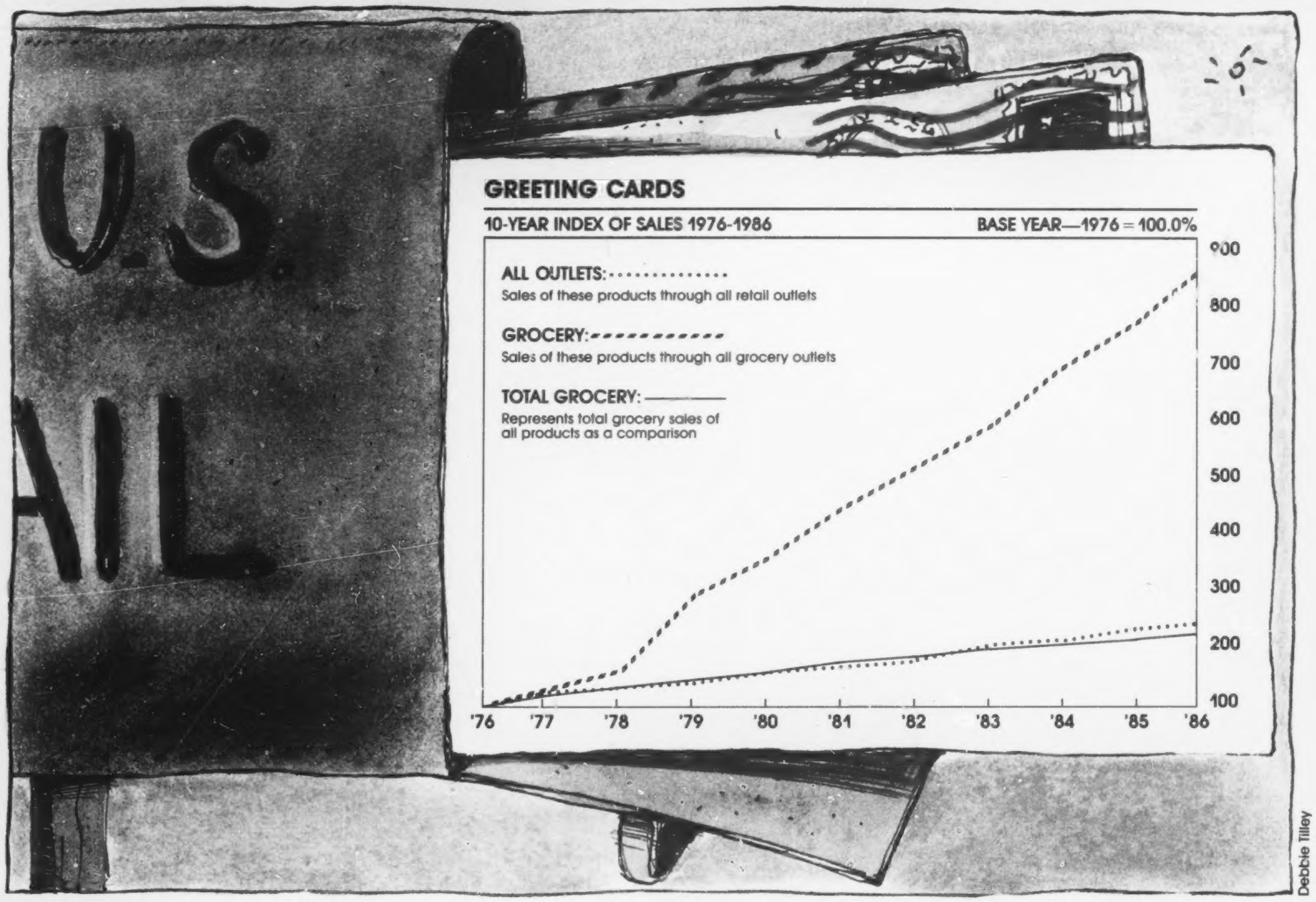
GREETING CARDS



Debbie Tilley

Supermarkets now rank as the third largest outlet for greeting cards, trailing only drug and discount stores.

For the greeting card industry, a card appropriate to its sales performance in 1986 would not be found in the "Get Well" section, but instead under "Congratulations." Or better yet, somewhere among the plethora of alternative greeting cards introduced during the past year, there has to be the perfect contemporary sentiment to be exchanged between the greeting card companies and the supermarkets. Perhaps something on the order of: "Thanks for giving me the space that I needed to grow."

According to SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES), total sales of greeting cards in all outlets in 1986 amounted to $3.69 billion, an increase of 4.8 percent over 1985, while grocery stores sales in 1986 were in excess of $451 million, a 12.3 percent gain over the previous year.

This large increase in grocery store sales proportionate to total sales can be attributed to a number of factors. Supermarkets now rank as the third largest outlet for greeting cards, behind drug and discount stores. According to "Trends—Consumer Attitudes and the Supermarket," conducted for the Food Marketing Institute (FMI) by Louis Harris and Associates Inc., 18 percent of shoppers looked to supermarkets for their greeting cards needs in 1986, a three percent increase over 1985.

Another contributor to the increase in grocery store sales is the enthusiasm for the product among retailers. Because, among other advantages, greeting cards have no transportation requirements, take up no warehouse space and provide healthy pre-tax margins, retailers are eager to develop the department. This commitment has manifested itself in a trend toward increasing the size of greeting card sections. Other advantages to the retailer are the services greeting card companies provide, such as merchandising techniques and fixtures that accommodate the needs of the retailers and a constantly updated, thoroughly researched product.

One example of the retailers eagerness to devote more space to the greeting card departments can be seen at Gregerson Foods, (Gadsden, Ala.). According to Jerry Forrester, director of merchandising, Gregerson's greeting cards departments currently run between 60 and 120 feet. They have already increased the space in one of their stores by 25 percent and intend to expand the section in their other stores as well.

The trend toward expansion is also noted in a survey sponsored by American Greeting Corp. (Cleveland, Ohio) and carried out by the Allen Levis Organization in conjunction with the Northwestern University Kellogg Graduate School of Management. In this survey, presidents and CEOs of major supermarket chains across the country were asked to identify what they felt were core general merchandise categories. Those responding to the survey represented almost 10,000 stores. The departments they chose were health and beauty aids (HBA), pet supplies, housewares, school supplies and greeting cards and stationery. Two-thirds of the respondents indicated that they intended to expand these five core departments over the next five years. And of the five categories, the greeting cards department was the one most often targeted for expansion.

In addition, according to American Greetings's annual report for 1987, 72 percent of independent and chain supermarkets feature greeting cards and associated products and are devoting more space to the category because of its high productivity and profitability.

The way to go

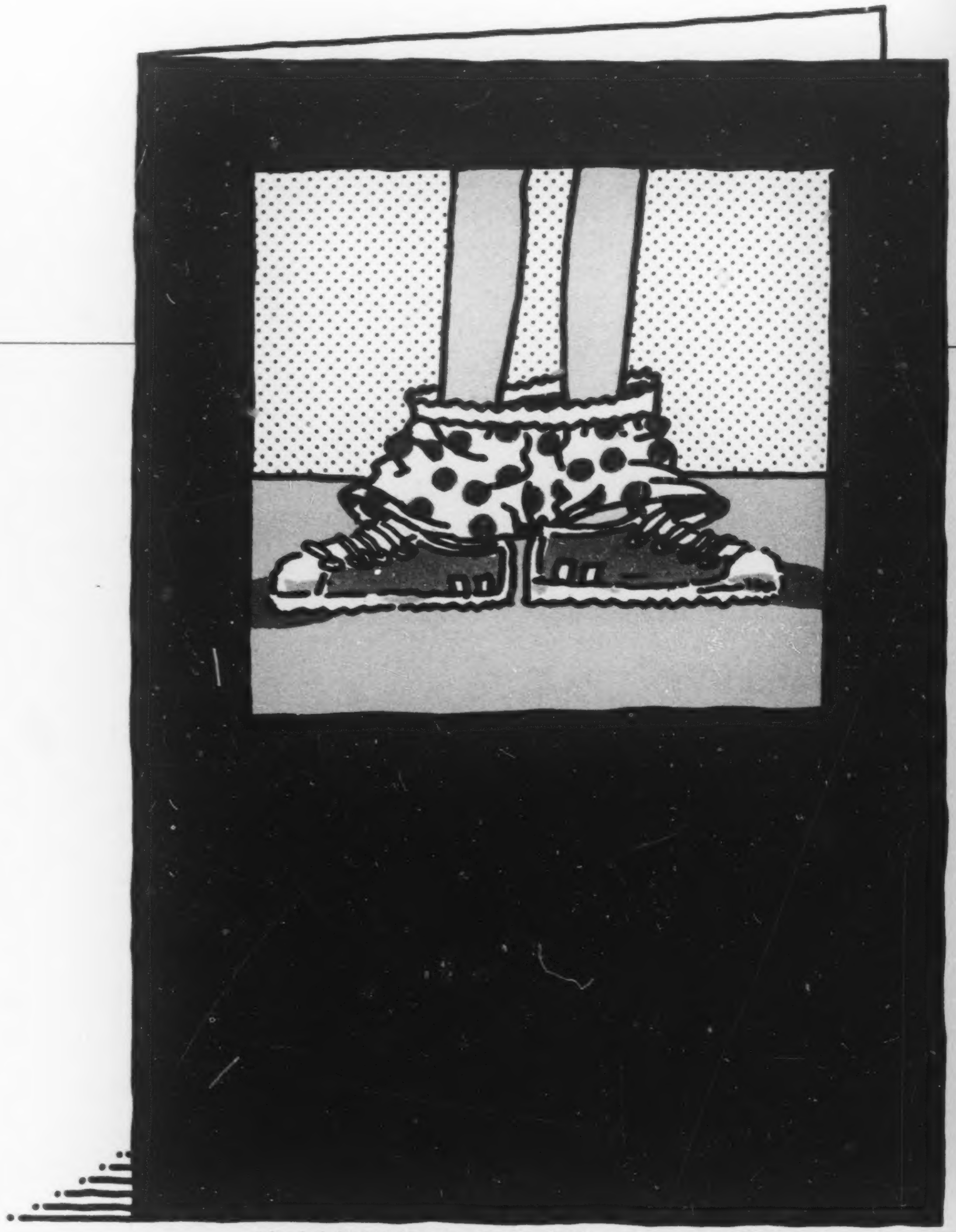
The greeting card companies are delighted with this move toward expansion on the part of the supermarkets. Peter Shapleigh, national sales manager for supermarkets at Gibson Greetings Inc., (Cincinnati, Ohio) which has produced the Buzza supermarket line since 1978, is enthusiastic: "Our supermarket sales have been improving steadily for the past eight years. As a company, we think that supermarkets are the way to go. Department stores, for example, are moving greeting card departments out altogether, or putting them down in the basement somewhere," he says.

"Supermarkets are the fastest-growing area for us and we feel that we have developed innovative programs for their needs." These programs include a merchandising system that eliminates the traditional inventory drawers, placing all the product out in the open and increasing sales space by 36 percent. As for the product itself, licensing has proven to be a successful marketing tool for Gibson. They have all rights to the popular Disney and Garfield characters. They also have plans for the alternative card market, with cards geared to the 25- to 49-year age group.

Shapleigh sees careful positioning and a generous space allotment as essential to creating a successful supermarket greeting cards department. "Ideally, the department should be either in line or in a valley. The best thing would be to place the cards in an aisle opposite a high turnover item, something that a shopper would come in regularly to buy. Also, footage is critical. Thirty-five feet would be the minimum. There are some supermarkets with departments as big as 200 feet."

At "GM/HBA Forecast for the Future," a workshop at the 1987 Food Marketing Institute Supermarket Industry Convention, sponsored by American Greetings, participants agreed that greeting cards departments have become an integral part of the supermarket environment. "Those (nonfoods) categories that the consumer expects to find in the supermarket shopping experience certainly are cleaning supplies, light bulbs, pantyhose and greeting cards," Roger Strangeland, chairman and CEO of Vons Grocery Co. (El Monte, Calif.) pointed out.

Supermarket executives participating in the workshop also agreed that providing adequate space is an important requirement for greeting cards meeting their supermarket potential. Eugene Walters, president and general manager of Farm Fresh Inc., of Norfolk, Va., said, "I believe that greeting cards are really big in the business, providing you give them the kind of space they need so that the customer has a fine selection."



Ambassador Card No. 100ZB 124K Inside sentiment: 'Thought I'd drop everything to wish you a Happy Birthday!'

Jeff Jones, executive director of national markets for American Greetings says that placement of the department can mean a big difference in sales. "Location is critical," he says. "If you place greeting cards up front or in the center of the stores, the category can hold its own. What you don't want to do is place them in a reading center or alcove where they can't generate sales.

"Cards redeem the amount of space given to them in sales per square foot. Three out of four supermarkets being built now are combo or super stores, and 35 percent of their space is being devoted to general merchandise. Also conventional stores are beginning to make a major commitment to greeting cards in the 60-foot range."

And, he says, the company can help a store overcome space constraints. "We have fixtures that work within any profile, including back panels adjustable to within one inch. We can work with any height."

But, Jones notes, a favorable location and generous amounts of space do not, by themselves, make a greeting card department successful. The next, equally important, step is filling that space, stocking the department with an appealing variety of cards and related items. "In our research, we have found that selection is the number one item of importance," he says. To that end, the company has introduced several new lines under the "Forget-Me-Not" banner.

One of the latest additions, introduced earlier this year, is "78th Street," a line of alternative cards with shorter, more personal and direct verses. The line also features an attention-getting display designed to remind the shopper of a city street.

Also brought out in 1987 was "Paper Route," another contemporary non-occasion card line featuring bold, colorful cartoons on the front, short, humorous verses celebrating life's ups-and-downs, and a black-and-white cartoon on the back. The "In Touch" line of contemporary cards have also continued to evolve, updated in 1987 with new embossed designs and two new sentiment categories added: "Thanks" and "Applause" for a total of nine categories. American Greetings claims that 65 percent of the sending situations offered by "In Touch" do not exist in any competing card line.

American Greetings hopes that these new products will encourage card-shopping for fun, turning greeting cards into more of an impulse purchase, rather than something just sought out on special occasions. Jones looks at the proliferation of contemporary, non-occasion cards as an important adjustment to the tastes of young shoppers, those who grew up accustomed to television-style humor and whose quickly-paced life-styles are more at home with the telephone than with letter-writing.

And what about those people who still have time to put their own words on paper? American Greetings has not forgotten them. The company has introduced "The Write Touch," a collection of note cards, writing paper, writing pads and decorated Post-it notes.

Mixed bag

Ambassador Cards, (St. Louis, Mo.) the division of Hallmark Inc. that supplies supermarkets, drug stores and discount stores, is the largest supplier of greeting cards to supermarkets and the third

Continued on page 220

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Because new products can flop as well as fly, we do more research than ever before to make sure our new entries will be winners. And we do it on a continuous basis.

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And if you think we called it right with our new card lines—"My Thoughts Exactly" and "In Other Words," and our new Color Plan Plus Display—just wait until you see all the exciting new products that we've got in the works right now.

If you're a current customer, you already know our track record. If you're not, find out what you're missing.

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We think you'll agree, we really do our homework.

Because in the greeting card business, he who trusts to luck is really *asking* to lose his pants.

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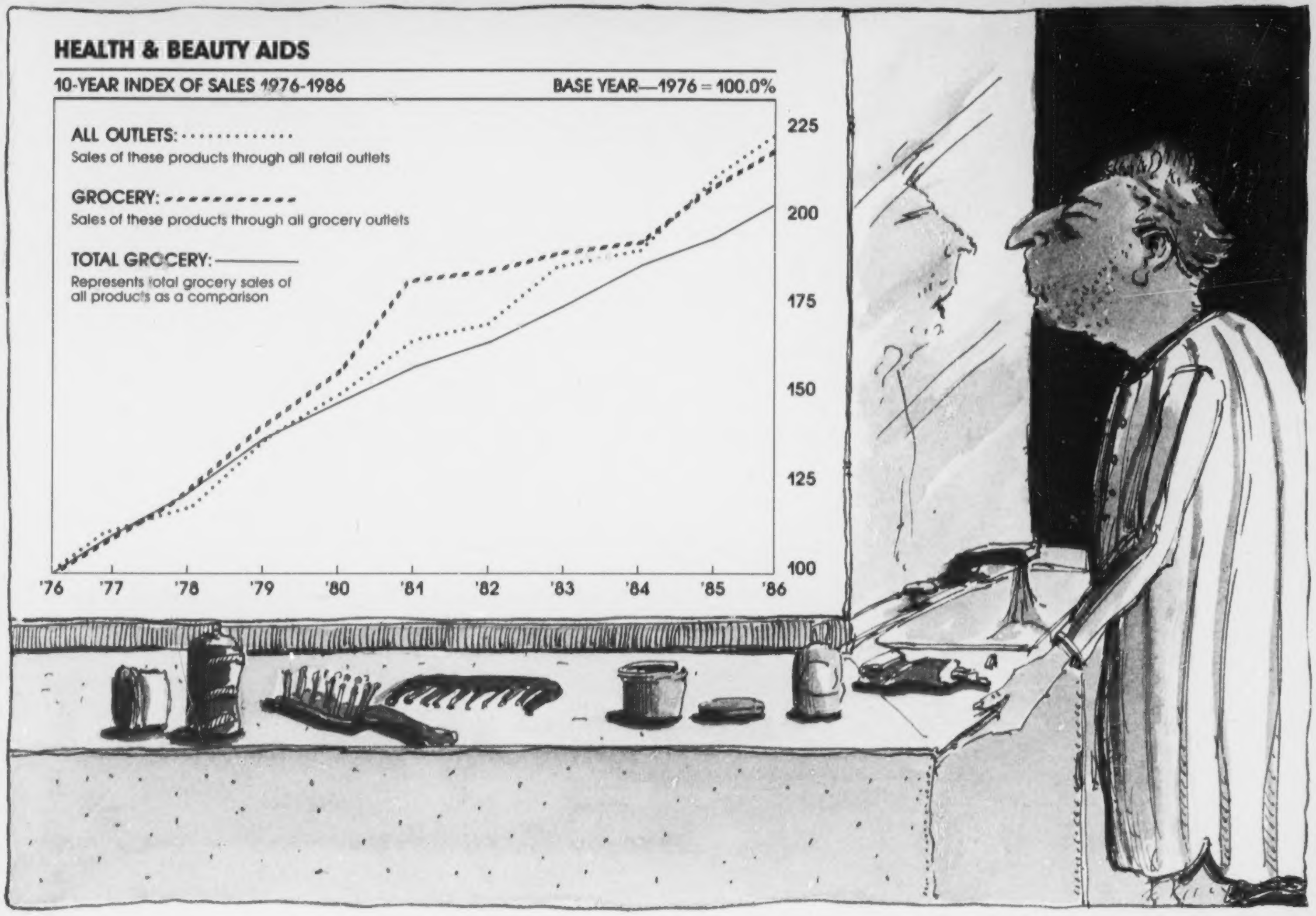

Debbie Tilley

Instore pharmacies have been sprouting rapidly as sales of health products in supermarkets have zoomed.

Can instore pharmacies fill a prescription for robust sales in the health and beauty aids (HBA) department? An increasing number of retailers seem to think that the answer is yes. Instore pharmacies have been sprouting rapidly in the last few years. Coming from virtually nowhere five years ago, they now number in the thousands. Towne-Oller and Associates, the New York City based research organization, currently follows 3,451 instore pharmacies as part of its retail sample, according to Joan Aveni, director of the sales service division.

Put simply, instore pharmacies are good business. Respondents to the NONFOODS BUSINESS First Annual Survey of Supermarket Pharmacies (January 1987, p. 3B), indicated that while pharmacies and HBA are usually considered to be separate departments, HBA sales are higher in stores with an adjacent pharmacy than in stores without.

Instore pharmacies have their drawbacks, of course. Pharmacists are expensive. Even one who's just out of school can demand a salary of more than $35,000 a year, according to Fred Mahaffey, executive director of the National Association of Boards of Pharmacy (Park Ridge, Ill.).

In addition, all states regulate pharmacies. The regulations vary from state to state, and they can be stringent, covering minimum inventory and apparatus, the minimum size of the pharmacy, the minimum size of the dispensing counter, ventilation, enclosing walls, hours of operation and security.

Tennessee recently eliminated a rule that, in certain circumstances, required the instore pharmacy to be completely enclosed and have a separate door to the outside.

Because pharmacists are occasionally called upon to dispense drugs in emergency situations, states may require that the pharmacist have access to the pharmacy at all times.

Finally, pharmacies do stock narcotics, amphetamines, barbiturates and other drugs that can encourage burglary and armed robbery.

None of these concerns seem to be slowing down the march to the instore pharmacy. SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES) indicates that sales of prescriptions in grocery stores increased by 12.9 percent in 1986. This follows a 33.1 percent increase in 1985.

Even with these substantial increases, grocers are still taking in only nine percent of the nation's total prescription dollars. Sales of prescriptions in groceries in 1986 totaled $1.79 billion, while sales through all outlets totaled $20.92 billion.

What the doctor ordered

An additional lure of the prescription business is that it is experiencing healthy growth nationally, so that grocers can participate in that growth while also fighting to increase market

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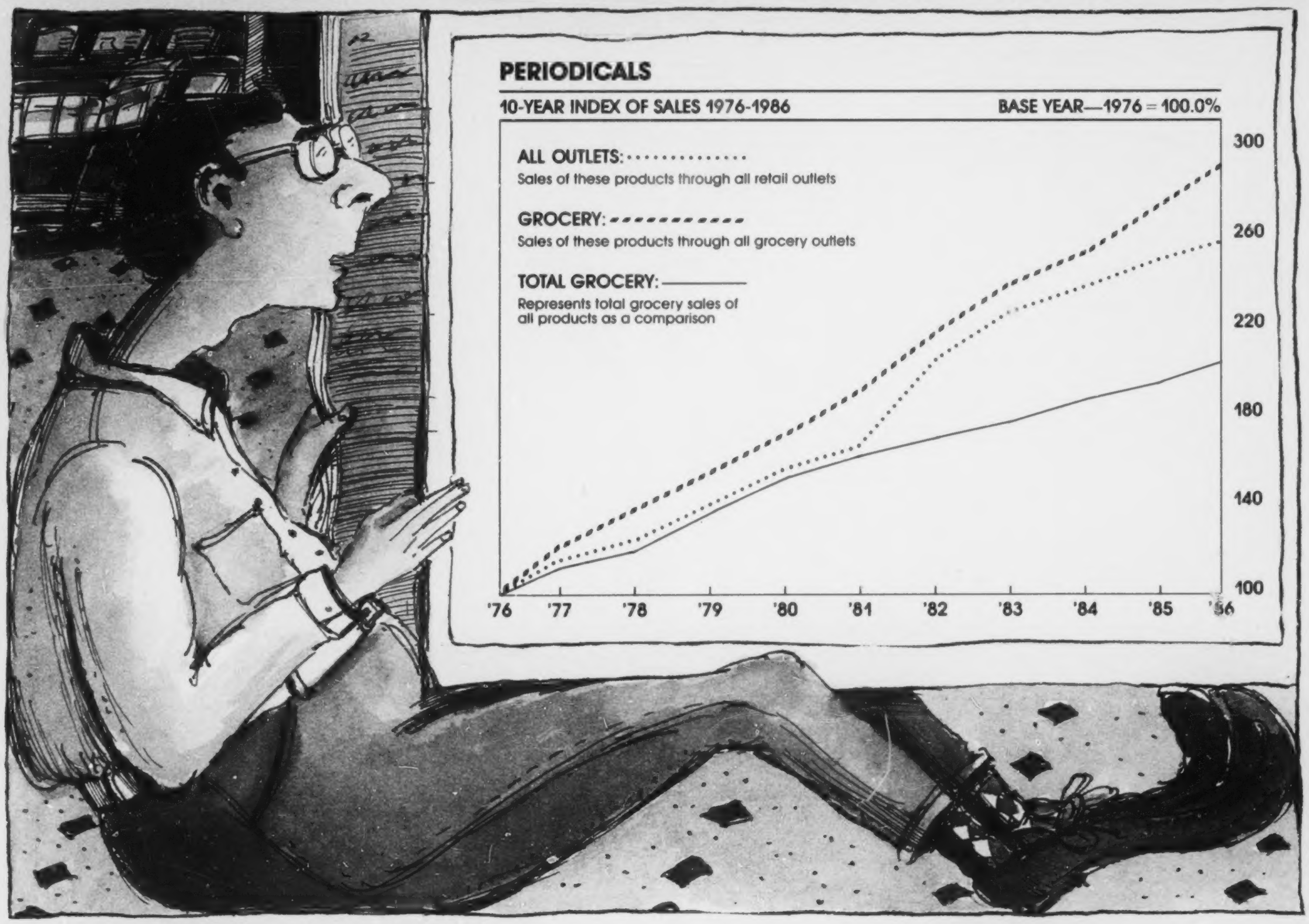
PERIODICALS



Debbie Tilley

All segments of the periodicals category had very strong growth at supermarkets last year, with sales up overall by 7.3 percent.

Increasingly, the supermarket is also the local bookstore. More and more supermarkets around the country are putting in book nooks, or book boutiques or entire book departments.

One western retailer feels that the bookstore is a very important part of the store's mix. "It adds to the total store concept," he says. "It adds to one-stop shopping. It also gives the consumer the opportunity to slow down a bit. I mean, they come running in here, and they come around the corner into the bookstore, and they feel a different atmosphere. It makes the shopper feel more comfortable," he says.

"We've also added all the mix we possibly can get. We added into the bookstore so that anybody who wants something in a specific title or whatever, we try to get it for them. We've actually gone a stage beyond and into papers of the world."

The commitment that supermarkets—and supermarket shoppers—have shown to books and periodicals is reflected in figures from SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES). At all retail outlets, periodicals had sales of $9.8 billion, while at grocery stores, periodicals had sales of $1.5 billion in 1986. Sales at grocery stores were up a healthy 7.3 percent over 1985.

Every segment of the category had strong growth. Children's story books increased sales at grocery stores by a whopping 22.8 percent. Coloring books increased by 13 percent, and comic books were up by 12.5 percent over the year before. Paperback books increased sales by 5.6 percent, magazines by 6.3 percent and newspapers were up 4.8 percent over 1985.

A retailer push

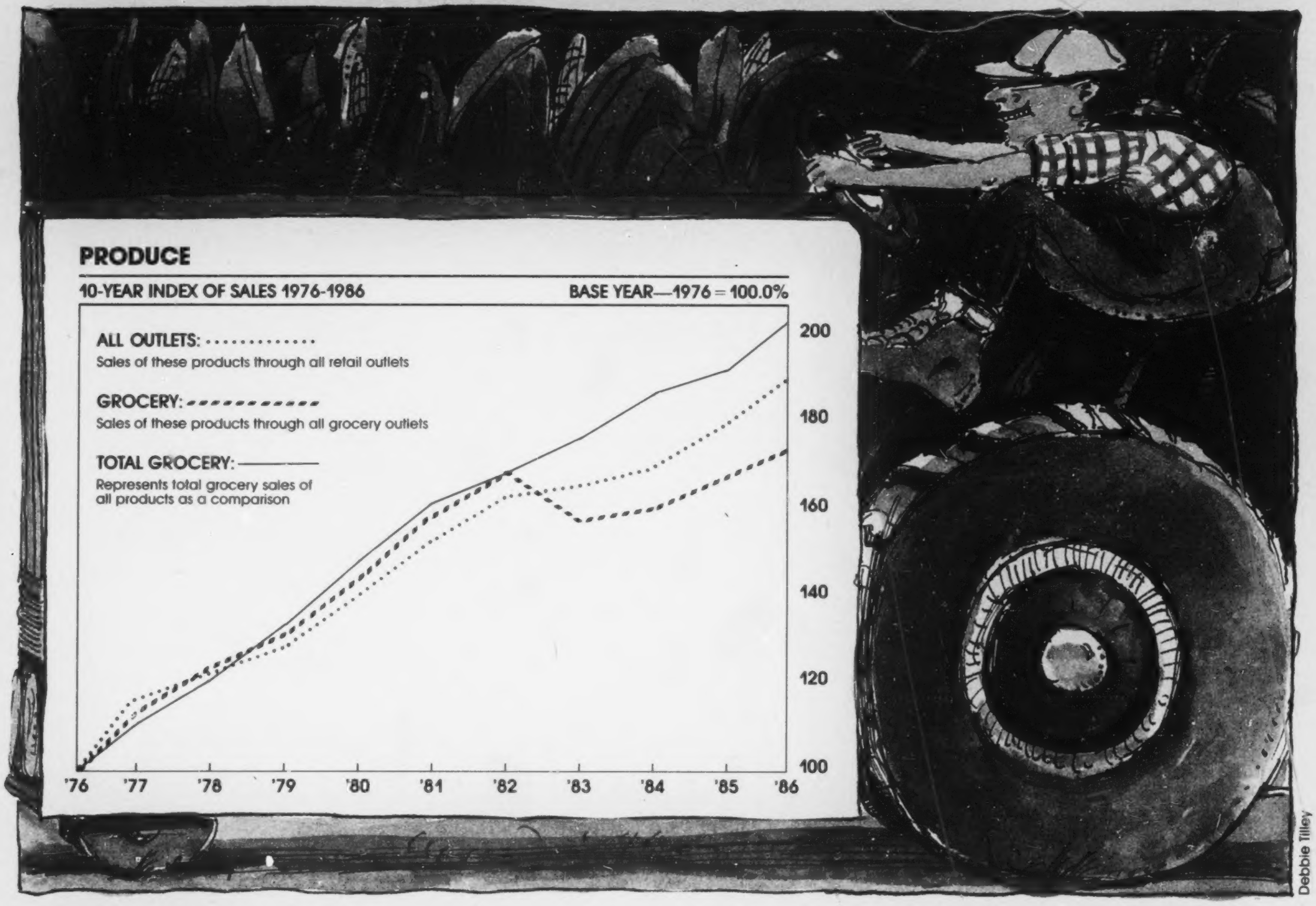
There's been some concentrated promotional efforts among manufacturers to increase sales of periodicals further. At Larry's Markets in Seattle, the periodicals and book nook near the entrance to the store has about a half-dozen newspapers. What catches the potential buyer's eye, however, is the television monitor just above eye level that plays Cable News Network all day: shoppers are drawn to the section by the television news, but they usually end up buying a newspaper.

The Periodicals Institute (Fairfield, N.J.) has put together a front-end profitability study, comparing publications with some of the other items that are taking up increasingly more space at the front end.

The study found, among other things, that paperbacks and periodicals grossed more per square foot than candy and gum at the front end, had higher inventory turns and earned more per square foot than other front-end items.

More information from the study is available from the Periodicals Institute, but the brief findings quoted here from the Institute's study, as well as those from CES point not only to the popularity of periodicals, but their profitability as well. ■

PRODUCE



Debbie Tilley

Sales of produce were up last year, as shoppers continue to buy more fresh foods.

The produce department at Vons's Tianguis store in Montebello, Calif., looks like a farmer's market. Huge wooden bins, with mountains of fresh fruits and vegetables, greet shoppers as they enter the store. Most of the prep work and unloading of produce for the 11,000-square-foot department is visible. The whole effect is of a teeming rustic fair.

Both the size and the position of the produce department here point to the importance of produce today. Vons executives, when putting together Tianguis, knew the importance of fresh vegetables and fruits to the Latin-American clientele the store caters to. But they also were aware of the importance of fresh produce, and a wide variety of it, to non-Latins. The produce department at Tianguis, with its enormous range of familiar and exotic fare, reflects, in a highly dramatic way, what Americans look for today in produce, and how supermarket retailers are working to provide that.

The recent "Trends Update," published by Food Marketing Institute (FMI), which studies consumer attitudes and the supermarket, reports that produce is the most important thing that shoppers consider when they choose a supermarket. Some 98 percent of those polled said that quality produce, fruits and vegetables were very important to them. Produce was ranked more important than good variety or wide selection, and quality meat, as factors in choosing a supermarket, although these were considered very important also. But the study shows the place that produce has gained in the shopper's consciousness.

Figures from SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES) bear this out. Shoppers spent $25.1 billion on produce at grocery stores in 1986, an increase of 3.1 percent over the year before.

Fresh vegetables led the way, with sales of $14.4 billion at grocery stores, up 1.9 percent from 1985. Carrots were up 1.8 percent, mushrooms were up one percent, tomatoes increased sales by seven percent and other fresh vegetables had sales 3.6 percent higher than the year before.

Shoppers bought $10.4 billion worth of fresh fruit at the nation's grocery stores last year, up 4.8 percent over 1985. Sales of apples were up eight percent over 1985, bananas were up 5.9 percent, citrus fruits had sales increases of 3.3 percent over the year before and other fresh fruits were up 3.3 percent.

What these figures don't show is the significant sales of specialty produce items at the nation's supermarkets. Dollar sales are not outstanding for these kinds of produce, but their presence at the supermarket is a mark of the growing sophistication of both the shopper and the retailer.

Take Larry's Markets in Seattle, for example. Its stunning produce section features a

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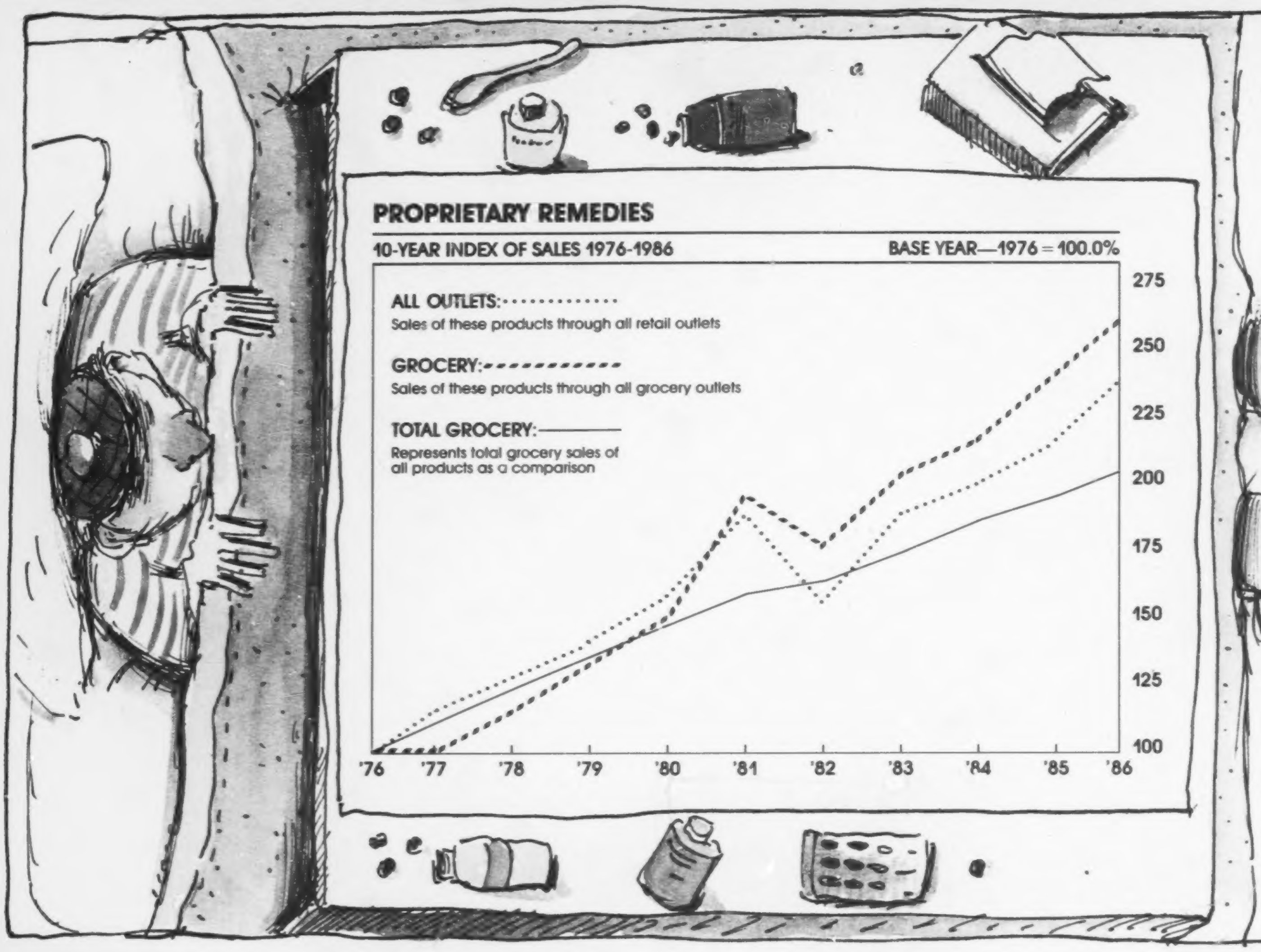
PROPRIETARY REMEDIES



Debbie Tilley

Sales of proprietary remedies gained a healthy 7.3 percent in 1986—not a banner year like 1985, but nothing to sneeze at either.

Despite adversity and a levelling off in new product excitement, proprietary remedies were very strong performers in 1986, according to SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES).

The packaged medications category accounted for better than $6.88 billion at retail, with $2.34 billion spent in grocery stores, a figure that, like last year, represents 34 percent of total sales. Overall sales increased 7.3 percent, comparing favorably to 1985's banner-year growth delta of 8.5 percent, and in grocery stores, the increase in packaged medications sales was 8.7 percent. The category represents 0.84 percent of total grocery story sales, advancing slightly from 1985's 0.81 percent.

In a count of 38 subcategories under the packaged medication heading, 20 made gains as percentages of total grocery store sales, and 14 subcategories advanced as percentages of overall consumer sales of the products. Such gains indicate the increasing significance of packaged medications sales in food stores, measured both within the grocery store environment and as against all other outlets.

Twelve subcategories recorded grocery store sales growth that was even more dramatic than percentage gains in 1985. Dynamic percentage gainers were aerosol antiseptics, up 13.6 percent in 1986 versus 8.9 percent in 1985, external antiseptics, up 10.7 percent in 1986 as against year-earlier gains of 9.8 percent, poison ivy remedies, up 18.6 percent in 1986 and 11.5 percent in 1985, cold capsules and tablets, up 14.3 percent in 1986 compared with an 8.3 percent gain in 1985, arthritic analgesics, up 6.8 percent in 1986 versus a 1985 gain of 4.8 percent, and diarrhea remedies, up 14.6 percent in 1986 compared with a 12.6 percent 1985 advance.

In a growth class by themselves, contact lens care products clipped along with an astonishing 37.6 percent sales gain in grocery stores in 1986, with grocery stores now accounting for 10 percent of the better than half-billion-dollar contact lens care products category. Industry sources say the pace is equally feverish in 1987.

If overall grocery store performance advances in proprietary remedies were slightly more modest than the double-digit gains recorded during the previous year—8.7 percent in 1986 versus 11.3 percent in 1985—the reasons for the lost momentum are good ones. With all the effectiveness those medications have demonstrated in salving consumers's self-medicated ailments, makers of packaged medications suffered serious blows during 1986, which took heavy dosages of product repackaging, repositioning, and re-promoting in order to restore health, particularly to their analgesics business, for which consumers now spend well over $2 billion, and

SAMI UPDATE

Summer Heat Means Hot Sales of Cold Foods and Cooler Sales for HBA

BY ALAN B. MILLER JR.

The reliance of producers on line extensions rather than new product innovation limits growth in HBA categories. Some categories with a dearth of new products show sales decline in June.

PHARMACY
register

During the past three months, sales of health and beauty aids in food stores have risen only slightly compared to sales of a year ago. In contrast, sales of frozen and refrigerated foods are up sharply. The reason? Part of this lackluster performance can be attributed to a dearth of new speciality brands which traditionally serve to expand volume in the product categories in which they appear. This year's new items tend to be line extensions rather than pace-setting innovations.

In the 28-day reporting period ending June 19, 1987, unit volume in all 51 health and beauty aids (HBA) product categories combined increased 3.1 million units, a gain of 1.2 percent over the same period a year ago. This increase surpassed the performance in the dry grocery food category (+ 1.1 percent) and dry grocery non-food category (+ 0.6 percent) but trailed the gains recorded for frozen foods (+ 2.4 percent) and refrigerated foods (+ 4.3 percent).

The four-week dollar gain for health and beauty aids (HBA) amounted to 4.3 percent, representing a higher gain rate than the 3.8 percent during the 12 week span and 4.1 percent on a full-year basis. For frozen and refrigerated foods, dollars increased more than six percent, but rose only a bit more than one percent in the dry grocery section. Since two full years of data are now available in the SAMI natural vitamins, minerals and supplements category, this category is now included in the HBA total. Dental aids have passed the first anniversary of reporting but will not be included in the total until two full years of data are in storage.

Skin care surges

There were bright spots in HBA. Five product groups had unit sales increases paced by the 7.9 percent gain for skin care aids and a 3.4 percent upsurge for hair care needs. The highest loss rate for a product group was the decline of 2.4 percent for baby needs. A loss of 1.5 percent was encountered in the shaving needs product group and a loss of 0.8 percent was found among oral hygiene products.

On a product category measurement basis, 22 HBA categories showed gain rates, 28 registered losses and one, razors and blades, had a no change reading. Two others—baby oils, creams and lotions and hair dressing needs had four-week unit volume changes of less than one-tenth of a percent.

The two baby needs categories that are responsible for the 2.4 percent loss in the product group are baby powders (-6.9 percent) and infant clothes (-23.2 percent). Sales of nursing supplies were 2.0 percent ahead of this level a year ago, an improvement over the 0.8 percent loss on a 12-week basis and a drop of 1.5 percent for the 52-week period.

Among the eight categories of personal deodorants measured by SAMI there were three with gains and five with losses. Once again, the best performance was among stick deodorants/antiperspirants where the four-week gain rate amounted to 9.3 percent. Moving from a losing trend on a 12-week basis to a four-week gain of 5.0 percent were deodorant and talcum powders where both Shower to Shower and private labels registered shared gains over the June 1986 period. There was also a gain in the four-week trend versus 12-week for foot deodorants and athlete's foot remedies. Loss rates of 11.6 percent and 0.6 percent were found among feminine hygiene deodorants and douches while the continuing growth of stick deodorants has caused losses among sprays, roll-ons and creams.

Sales of first aid antiseptics remain strong and the four-week gain of 6.0 percent is slightly better than the 5.8 percent plus for the 12-week period but is below the 52-week gain rate of 9.7 percent. Sales of first aid

SAMI UPDATE

HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO		
	4 WEEKS ENDING 4/24/87	4 WEEKS ENDING 5/22/87	4 WEEKS ENDING 6/19/87
BABY NEEDS	**- 5.5%**	**- 0.8%**	**- 2.4%**
Baby Powders	- 3.2	- 4.9	- 6.9
Baby Oils, Creams & Lotions	- 3.0	+ 3.7	0.0
Infant Clothes	-20.2	-23.3	-23.2
Nursing Supplies	- 5.8	+ 1.4	+ 2.0
DEODORANTS	**+ 2.5%**	**+ 3.9%**	**+ 1.7%**
Sprays	- 7.1	- 3.7	- 1.9
Roll-Ons	- 4.4	- 0.8	- 4.9
Stick Deodorants & Pads	+10.9	+12.7	+ 9.3
Creams	-15.2	-14.8	-10.1
Deodorants & Talcum Powders	- 9.9	- 7.1	+ 5.0
Feminine Hygiene Deodorants	- 6.8	- 6.4	-11.6
Foot Deodorants & Athlete's Foot Remedies	- 2.7	+10.2	+ 6.2
Feminine Douches	+17.7	+ 5.8	- 0.6
FIRST AID	**- 6.0%**	**+ 4.1%**	**+ 0.4%**
Antiseptics	- 1.4	+12.2	+ 6.0
First Aid Products	- 7.3	+ 1.7	- 1.4
HAIR CARE NEEDS	**- 0.8%**	**0.0%**	**+ 3.4%**
Shampoos	- 4.4	- 4.7	+ 0.5
Hair Sprays	+11.6	+12.0	+15.7
Hair Conditioning Rinses	- 4.7	- 4.5	- 2.7
Hair Setting Needs	- 0.7	+10.6	+11.0
Home Permanent Kits	- 2.7	- 3.4	-12.7
Hair Coloring	- 5.7	- 1.1	- 3.4
Hair Dressing Needs	- 3.7	- 2.9	0.0
ORAL HYGIENE	**+ 1.8%**	**+ 2.3%**	**- 0.8%**
Toothpastes & Powders	+ 1.4	+ 2.2	- 3.1
Mouthwashes	+ 2.3	+ 2.6	+ 7.2
Breath Fresheners	+ 1.2	- 4.9	- 7.2
Denture Cleaners	- 3.2	+ 1.2	+ 0.8
Denture Adhesives	- 2.9	- 2.0	- 2.5
Toothbrushes	+ 6.0	+ 4.8	+ 0.1
PROPRIETARY REMEDIES	**- 0.5%**	**- 0.8%**	**+ 1.0%**
Antacids	- 0.7	- 1.9	+ 1.3
Internal Analgesics	- 6.4	- 4.4	- 1.8
External Analgesics	-15.9	- 2.4	- 1.9
Cold Remedies	+10.5	+10.8	+ 4.9
Nasal Sprays—Drops—Inhalers	+ 7.9	+ 0.6	- 0.6
Chest Rubs	+ 1.1	- 9.5	- 9.1
Cough Remedies	+ 5.7	- 2.8	- 0.1
Laxatives	- 4.2	+ 0.4	+ 3.7
Sleeping Aids	+18.9	+16.3	+ 9.5
Tranquilizers	-15.0	- 8.4	-12.4
Synthetic Vitamins	+ 1.1	- 3.5	- 2.1
Eye Care Products	+12.1	+14.7	+20.3
Appetite Suppressants	-20.9	-27.3	-23.5
SHAVING NEEDS	**- 6.6%**	**- 3.6%**	**- 1.5%**
Shaving Creams	- 4.7	+ 6.2	+ 1.4
Pre-Shave Lotions	- 6.6	- 3.8	- 1.3
After-Shave Lotions	+ 3.3	- 4.8	- 0.4
Razor Blades	- 8.3	- 7.2	- 2.9
Razors & Blades	-11.7	- 7.3	0.0
SKIN CARE AIDS	**+ 8.7%**	**+ 9.6%**	**+ 7.9%**
Hand & Body Creams & Lotions	+ 7.8	+ 8.0	+ 8.7
Facial Preparations	-11.1	-10.6	- 6.2
Lip Care Products	+34.9	+19.7	+23.6
Suntan Lotions & Oils	+ 7.9	+24.7	- 0.8
Cosmetic & Medicated Skin Aids	+10.1	+13.6	+13.5
TOTAL ALL CATEGORIES	**- 0.2%**	**+ 1.1%**	**+ 2.6%**

products (bandages, gauze, cotton balls, swabs and the like) fell 1.4 percent below the level a year ago on a four-week basis and are running slightly below for the full year.

Hair care improves

Six out of seven of the hair care needs product categories had better performances for the June reporting period than for the 12-week interval. All of the gains among shampoos can be attributed to the increase in unit sales of Procter & Gamble's revitalized Pert Plus Shampoo. There were also improvements in shares for White Rain, VO5, Vidal Sassoon, Perma Soft, Selsun Blue, Style and Revlon Aquamarine. Private label shampoo items have lost a full share point versus last year.

Hair spray sales are still on a roll (+ 15.7 percent) although no new brands have achieved an annual share increase of one percent or more. White Rain, Clairol Condition, Suave and Conair had high growth rates. Private labels have also lost share in this category. The weakest trend performance among hair care needs categories is the 12.7 percent loss rate for home permanent kits. Hair coloring (-3.4 percent) and hair conditioning rinses (-2.7 percent) are in the loss column but their four-week loss rates represent a slight improvement for the 12-week decline.

New brands in mouthwash

In spite of the sales vitality in the mouthwash category triggered by new brands and line extensions, sales in the entire oral hygiene product group were slightly below last year's level (-0.8 percent). There were minor gains for denture cleaners (+ 0.8 percent) and toothbrushes (+ 0.1 percent) but losses for toothpaste and powders (-3.1 percent), breath fresheners (-7.2 percent) and denture adhesives (-2.5 percent).

There are now 14 product categories in the proprietary remedies grouping as a result of the aforementioned inclusion of natural vitamins, minerals and supplements. In the most recent four-week period there were six categories with gains and eight with losses. The best trend was in the eye care products category, where the four-week gain of 20.3 percent was significantly higher than the 15.8 percent rise on a 12-week basis and an 11.5 percent increase for the year ending June 19, 1987.

Only one of the categories containing over-the-counter medications for coughs and colds registered a gain on a four-week reporting basis. Cold remedies advanced 4.9 percent and the resurgence of Contac can be credited with the entire gain although there were also important share gains for Alka Seltzer Plus, Comtrex, Dimetapp, Benadryl and Tylenol Sinus Medication.

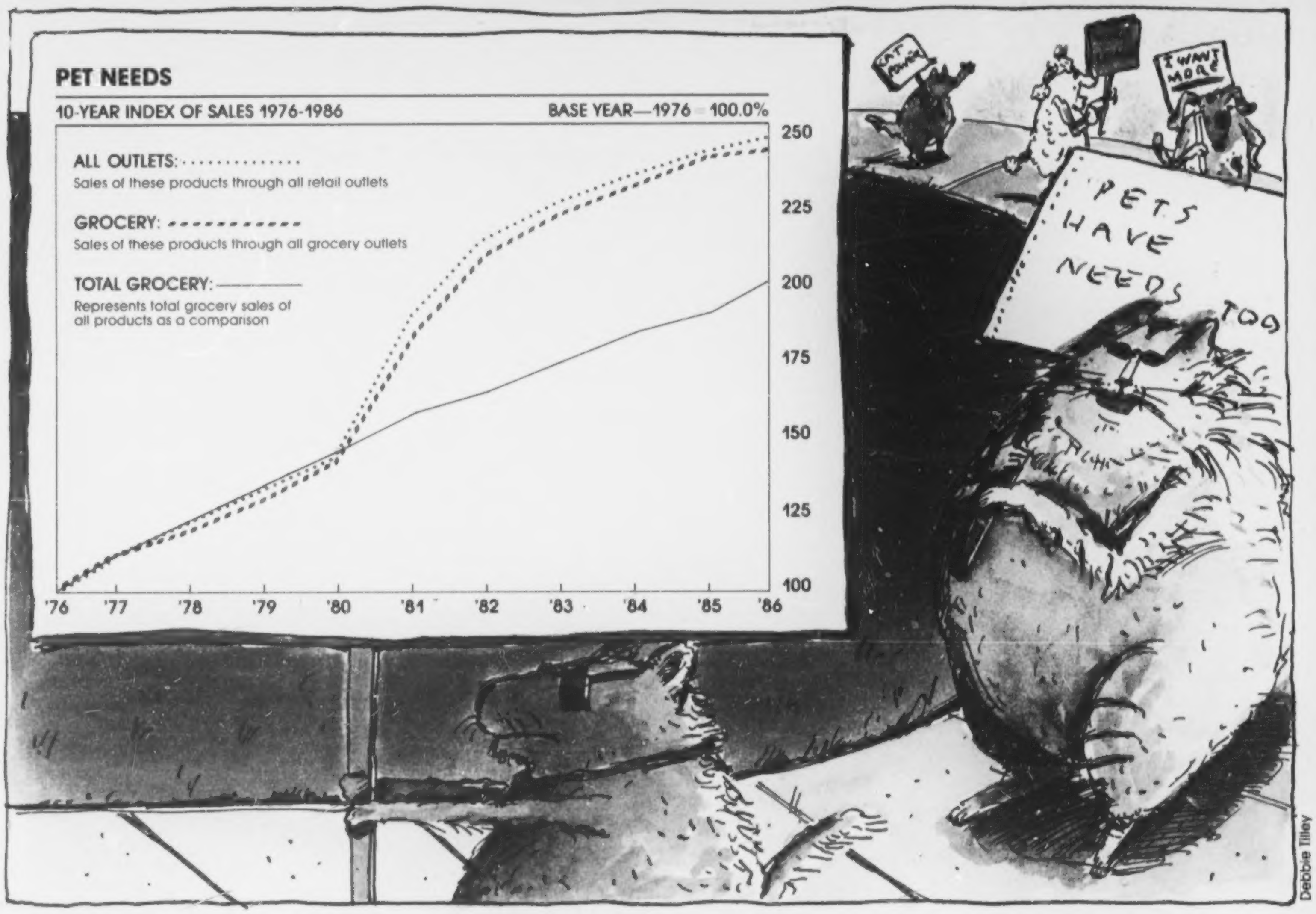
Unit sales of internal analgesics fell 1.8 percent in spite of new volume from ibuprofen entries, but this loss rate represents an improvement over the 4.2 percent loss on a 12-week basis. There was a trend improvement for laxatives and stool softeners with sales increases coming from Swan, Dulcolax, Metamucil and Fiber-All, among others. The poorest trend was found among appetite suppressants, where the 23.5 percent four-week loss rate is nearly identical to the 24.0 percent three-period drop. Sales of sleeping aids rose 9.5 percent, benefiting from line extensions not marketed a year ago.

Weakness continues in the shaving needs product group, where the only gain was a 1.4 percent improvement among shaving creams. A lack of important new products accounts for the 2.9 percent decline for razor blades.

As has been the case consistently during the past several months of 1987, the best performance among product groups is found in skin care aids, where the 7.9 percent four-week gain is the same as the volume rise for the full year.

The only weak category is facial preparations, recording losses currently as well as annually. Line extensions for Chapstick and Vaseline can be credited with the outstanding growth of lip care products. The growth brands in the cosmetic and medicated skin aids category include Sea Breeze, Stridex, Oxy-Clean, Caladryl and Noxzema. Sales of suntan lotion and suntan oil were off slightly (-0.8 percent) on a four-week basis but were ahead 11.1 percent for the full three months. ■

PET NEEDS



Debbie Tilley

Increasingly, upscale consumers are demanding upscale foods for their pets. So-called premium pet foods have gained ground in the pet foods industry.

An interesting phenomenon has developed in the pet food industry—yuppie puppies and tony tabbies. Increasingly, consumers are transferring their desire for an upscale lifestyle to their dogs and cats. As such, the pet food aisle in the local supermarket is turning into an Epicurean paradise.

Premium offerings have already gained ground in the $3.1 billion dog food industry. However, consumer demand, coupled with the highly competitive nature of the business, has spawned a new subsegment—ultra-premium.

For dogs, Ralston Purina Co. has O.N.E., Quaker has joined the fray with Tender Chops, Carnation Co. has Grand Gourmet. On the feline side of the business, Carnation's Fancy Feast is a well entrenched force in the gourmet segment, but Amore, from the Starkist Foods unit of H.J. Heinz Co. seems to be a new taste sensation.

These developments have both a positive and negative side. For manufacturers and retailers, upscale offerings carry a higher price tag. Consequently, higher margins can be the reward for producing and carrying these products. But this new generation of products is also supported by heavy promotional activity, including coupons, which wreak havoc on profit margins. Furthermore, the spate of new introductions and line extensions places further pressure on retail shelf space. Sooner or later, something's got to give, and some industry observers are convinced that a shakeout in the category is on the horizon.

It's dog eat dog

The competition for shelf space is already fierce at supermarkets, many of which devote an entire aisle to pet foods. Another problem is choosing the right mix of products: dog food products compete with cat food products for shelf space, dry food competes with canned, and dry and canned compete with semi-moist. Grocers who want to stock the right mix would do well to follow the trends in pet ownership.

According to the Pet Food Institute (Washington, D.C.) 52.8 percent of all U.S. households own some kind of pet. Dogs are owned by 38.7 percent of those households, while cat owners make up 29.4 percent. However, cats now outnumber dogs 56.2 million to 51.6 million.

What has this meant to pet food sales in supermarkets?

Just this. Retail dollar sales of pet foods in supermarkets reached $5.54 billion in 1986 according to SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study, up 2.3 percent for the year.

There have also been shifts in sales within the dog and cat food categories. Retail dollar sales of dry dog food were off 1.7 percent in 1986 according to CES, to $1.83 billion. Canned was off 0.6 percent to $859 million, while the semi-moist segment was down 6.7 percent to $191 million. Pet snacks was one area that showed growth, up 2.1 percent for the year.

Give a dog a bone . . .

Nabisco Brands, through its Milkbone unit, is one of the major players in the pet snacks arena. Debbie Kelly, senior product manager for Milkbone, says growth in the category has come because "pets are an important family member and people want to feed them snacks that are both indulgent and functional. So the category has become more diverse, offering people a full range of options."

As such, Nabisco is continuing with a full-scale new product development program. Most recently this led to the national distribution of a new bacon-flavored dog treat in the Milkbone line.

Promotional activity for all products is fairly heavy, with a major thrust during the holiday period. For example, one of Nabisco's upcoming commercials has a dog receiving Milkbones as a Christmas present.

Not to leave pet owners out in the cold, the company has an on-pack game offer where consumers can win $10,000. In late November, there will be a continuity program for "Milkbone Bucks" that can be redeemed for prizes.

Finicky humans

Overall, cat food showed better growth than dog food in 1986, according to CES figures. Sales of canned food were up 4.8 percent to $1.05 billion in grocery stores. Dry food was up 5.8 percent to $755 million; semi-moist was the only category showing a decline, falling 8.0 percent to $240 million.

Consumers are a fickle group and, while there is some brand loyalty in their choice of pet foods, often as not, they feel their pets deserve a varied diet.

"In the pet foods business we don't have the kind of dynamics where people pick a dog food and stay with it for a year," Nancy Pitz, vice president of product management for Quaker states. This results in the need for aggressive marketing of many different products, she says, adding "it's important to market individual brands as opposed to just the Ken-L Ration or Gaines name."

For Quaker this quest has led to the introduction of Tender Chops, which retails for 12 percent more than the company's regular line, although production costs are not much higher than the standard lines. The company is also being given credit for taking a larger share of the snacks business with Snausages—a sausage-shaped treat.

Boosting Quaker's semi-moist business last year was Smorgasburger, its first four-flavor multi-component brand. The product, Quaker officials say, brought the company's semi-moist share to about 34 percent.

Last year's business was also bolstered by the company's purchase of the Gaines brands from Anderson Clayton & Co.

As noted earlier, "upscale" products have become a key factor in pet food marketing. As such Kal Kan has adopted the "Gold Standard," and earlier this year introduced Pedigree brand.

John Murray, vice president of marketing, agrees that premium products, as has been the case in human foods, are driving the business.

Although there is a polarization among consumers—leading them either to higher quality or price—"the most powerful thrust in the market now is the introduction of better feeding products, marketed with an upscale position," he says.

"Kal-Kan Pedigree is a signal to dog owners that we have significantly improved the product, evidenced by the elimination of the soya protein. Animals prefer meat to vegetables."

More all-meat brands

For years, Murray points out, Carnation's Mighty Dog was the only all-meat product on the market. "But there is a battle royal going on in the market right now."

Another of the combatants is Ralston Purina. Purina O.N.E. (Optimum Nutrition Effectiveness) made its national debut in February, and it is doing very well, states a company official.

Spokesman Patrick Farrell says: "This is the first time that a super-premium category was ever introduced in supermarkets. In fact, he says, "the product is our response to such consumer demands as Perrier and Haagen-Dazs. The palatability and taste of the product is preferable to dogs," he notes, although its nutritional completeness is the same as other products. The item's main ingredients are whole chicken and brewer's rice.

Discussing the saturation in the pet food industry, Murray emphasizes, "We've already seen some regrouping of manufacturers," he says, pointing to the sale of Carnation to Nestle's, Quaker's purchase of Gaines Foods, and Campbell's attempt to sell its Recipe brand. "It is clear that the pet food business will boil down to those who are committed to it. We intend to develop our business nationally, and we have every intention of shaking, rather than being shaken out of, the market."

Murray fully believes that the slowdown in the market's growth over the past couple of years is directly attributable to cutbacks in advertising by manufacturers. The advertising-to-sales ratio of 4.5 percent is far too low for a category that is the fifth largest seller in supermarkets, he says, adding that in 1987 three of Kal Kan's products will be on the list of the top 50 television advertisers.

However, he feels strongly about coupons. "We don't believe it is the right strategic vehicle for pet foods."

Farrell notes that Purina will be doing many coupon drops this year. "But we look at marketing as an entire picture to include coupons and other promotions, as well as television advertising. The mix changes at any given time, on any given product," he says. However, he also points out that due to the competitive nature of the marketplace, coupons are used very liberally when introducing a new product.

In terms of retail space allocation, Farrell believes pet food is the second largest. "But I don't know how much larger it can get. People who come out with the best product get the shelf space," he notes.

Murray believes that shelf space increases proportionately to manufacturer advertising dollars. "Some manufacturers introduce a new brand of dry dog food every three months. After an initial flurry there is no advertising support.

"Unless manufacturers can justify the space to supermarkets, via increases in the total volume in the pet food market, then it will be necessary for supermarkets to look hard at whether the proliferation of brands is really justified," Murray says.

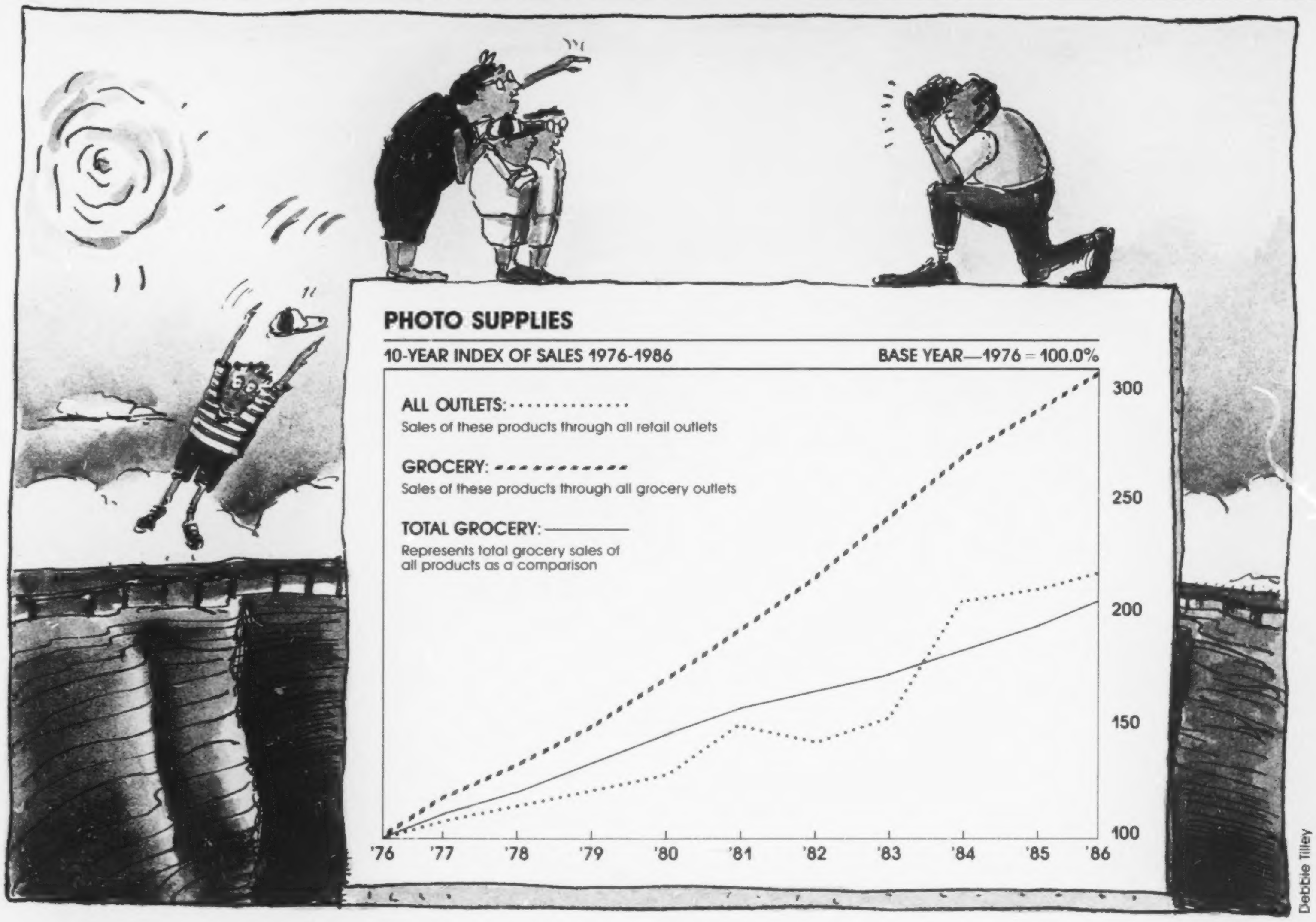
—LEN LEWIS

PET NEEDS

Overall, cat food showed better growth than dog food in 1986. Increasingly, cats outnumber dogs.

CONSUMER · EXPENDITURES · STUDY

PHOTO SUPPLIES



Debbie Tilley

More one-hour minilabs are appearing in the nation's supermarkets, and retailers are capitalizing on them to add another touch of service to their stores.

Minilabs are hot, and they're going to get hotter. "I think we're on the brink of a dramatic expansion" of minilabs in supermarkets, says John M. Shimshack, director of photofinishing sales for the U.S. sales division at Kodak (Rochester, N.Y.).

For the entire area of photofinishing, says Shimshack, "Business is extremely healthy right now." And, he adds, "The two segments showing the fastest growth of all the various segments in the finishing area are minilabs and food stores. And obviously, you put the combination of those two together, and I think you probably get some synergy there."

Minilabs are small photofinishing labs that can be located in a retail shop, as opposed to the larger wholesale labs to which the retailer has traditionally sent the customer's film. "Minilabs have, of course, been on the market since the early '80s," notes Shimshack. "However, it started out, frankly, very slow," says Tom Shay, a spokesman for Fuji Photo Film USA (Elmsford, N.Y.). The reason was that the minilab idea, like so many good ideas in business, was originally in the hands of small entrepreneurs, Shay says, who often don't have the resources to support their innovations properly.

"Since we are in the photo business," says Shay, "we felt it was very important for us to make sure that we could totally support that retailer. Because, number one, he's a potential or hopefully an actual customer for our film, and we would want him to use our color paper, and we would want him to sell our cameras. So, we said, unless we can really support this with the technical training and also the field service that's necessary, it could jeopardize all of our other businesses. So we proceeded very slowly in the beginning and built our organization to be able to handle major capital equipment, if you will, because it's very different from selling a roll of film or a camera. And now, says Shay, "It's a very significant part of our business."

Compared to Fuji, Kodak is a relative newcomer to the field. "The Kodak entry came out about a year ago," reports Shimshack. However, he thinks that Kodak's involvement has helped to stimulate the field. "I think the Kodak entry added a lot of credibility to the concept. There's a lot of big retailers who are comfortable with the name Kodak and what it represents. And that's probably caused a lot more activity in that market area than you saw previously. I think it's just taking off over the last year."

Reorganization at Kis

This past year has been one of reorganization for Kis Photo (Somerset, N.J.), which also supplies mini-photofinishing labs to supermarkets.

"We used to have a national sales force to sell the machines and accessories," says Nick Fetzko, national sales manager for Kis. "We've gone to a nationwide distributor network, with five distribution zones and 25 distributors strategically placed throughout the U.S. They handle all the sales of our machines and also provide training in our region.

"Rather than Kis doing it from corporate headquarters, the distributors report to us. It provides more individualized service."

The total number of minilabs in supermarkets is not yet large, probably not more than a few hundred, according to Shimshack, but retailers need only look at the spectacular growth of instore pharmacies in the last few years to see how quickly such a new department can grow, and how easily they can be left behind the competition.

Another new entrant in photofinishing at the supermarket is Finest Hour (Westlake Village, Calif.), which has just entered into a pilot agreement with Lucky Stores Inc. (Dublin, Calif.) to open and operate custom one-hour photo centers in selected Lucky supermarkets in the chain's Northern California division. Finest Hour is currently operating a similar pilot program with Safeway Stores' Little Rock, Ark., division, and it intends to initiate similar pilot progams with several major supermarket operators throughout the United States.

Finest Hour currently operates some 30 retail custom one-hour photo centers in shopping centers and malls in California.

"I don't really know offhand of a large food chain that is not either doing it at this time or seriously investigating doing it," says Shimshack. "Almost everyone has contacted us asking for pro forma information as to what the potential profitability can be. Most of them seem to be making some plans to test one themselves, or in some cases to test it using a wholesale finisher to set up a concessionnaire type of operation in those stores."

There are indeed a lot of different ways to handle minilabs, and of course supermarkets are not the only outlets installing them. "We're finding minilabs now appearing in supermarkets, in the drug chains, in the discount chains," reports Fuji's Shay. "We're finding them merchandising in several different ways, marketing in several different ways, and again some of them are owned by the chains, some of them are independently owned, some of them are owned by the wholesale photofinisher."

The question still remains of whether the retailer at the supermarket should capitalize on the speed of the minilab, offering one-hour service, or on the convenience of having one of these photofinishing labs at the supermarket.

"We have labs now that can turn around the film in 23 minutes," says Fuji's Shay. This is, of course, the fabled average shopping time of the average consumer in a supermarket, which means that the consumer can drop film off at the beginning of an average trip and pick up finished prints at the end. "They can drop off their film, they can do their regular shopping, or they'll tend to stay and do some shopping, and then as they're ready to leave the store, the film will be ready for them," says Shay.

"The customers tend to break down into two categories,"

The Counter Revolution

One configuration of the IBM 4680 Store System.

Shays says, those who care about speed, and those who don't. "There's been a lot of debate as to whether an hour or two hours or a half hour is all that important." There's a price difference for speed too, and since many people drop by a supermarket a couple of times a week, they don't feel that the one-hour processing is as important as having the lab in the store itself.

Shimshack agrees. "People like the convenience of a food store and the personalized service that goes along with the minilab type of concept."

Personalized service does seem to be one of the major advantages that minilabs have over the wholesale labs. Shay points to the familiar situation "where you go to the store and you pick up the pictures and you look at them and you say, 'Boy, these really didn't come out too well.'" If the prints have come back from a wholesale lab, the person behind the counter is likely to just say, "Oh, that's the lab." But, says Shay, "when you go to a minilab, well, the guy behind the counter is the lab. And he can look at it and either tell you what you did wrong or say, 'Gee, maybe we did something wrong.'" And he can reprint the roll in an hour, correcting the color, or whatever else was wrong.

One of the reasons that the film manufacturers like the minilab concept so much is that they see it as a way of increasing the amount of all their products that they sell through supermarkets. "It's natural," says Fuji's Shay, "when any retailer makes a bigger commitment to a category that the whole category is going to grow within that store. They're going to devote more to it, and they're also going to reap more benefits from it. If, for instance, they're offering a finishing service, and they have three rolls of assorted film on the counter behind it, they don't present themselves as somebody who's really in the photo business. But if they look like they are committed to the category, the consumer is impressed by that psychologically. They go in there and say, 'Oh, there's a photo department. They must know what they're doing. Maybe I should bring my film here.'"

Reinforcing rhythms

This is why minilabs seem to fit so well in supermarkets. The rhythm of the minilab and the rhythm of the supermarket fit, and in fact reinforce, one another. "They buy their film, then they drop it off, then they come back and pick it up, and if you do the job properly, you sell them a reprint or an enlargement or something like that and just complete the cycle," says Shimshack. "And obviously, when you create traffic in that food store, you also get the impulse purchases that are associated just with that traffic."

"The technology of the equipment itself has progressed very quickly," says Fuji's Shay. "A lot of it is computer controlled. In our equipment, for example, there are automatic scanners that scan the negatives and automatically set the correct color corrections and density corrections into the machine. So it's close to the point where somebody can turn the unit on and walk away from it. We're not quite there yet, but it's very close."

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PHOTO SUPPLIES

Even if a retailer isn't taking the plunge into minilabs, the photo department has probably been good to him: sales of film and camera supplies are up.

that skill requirements have declined dramatically. "It really requires minimal training," says Shay. "It's really a one-button kind of a thing. And mostly what we train them on is how to keep the equipment running and the chemistry properly replenished. Most of that is also automated but obviously there are things you need to know."

A good year

Even if a retailer isn't ready to take the plunge with a minilab, the photo department has probably been good to him recently. SUPERMARKET BUSINESS's 40th Annual Consumer Expenditure Study (CES) indicates that the category is continuing its healthy growth. Photo supplies and processing grew 5.8 percent in grocery stores during 1986, to $982 million. Sales through all outlets were flatter, growing only 2.5 percent. However, the total national market in this category reached $7.4 billion. That's a big pie, and if a grocer doesn't like his present share, he can try for a bigger one.

Supermarket retailers have a significantly larger share of film sales than they do of processing. They capture 27 percent of national film sales, and only 7 percent of the processing category. Processing is a bigger business, too, with national sales last year running $3.6 billion, compared to $2.3 billion for film.

Sales of flashbulbs and cubes continued their precipitous decline. They were down 23.6 percent nationally in 1986, and 17.3 percent the year before. This continuing decline is no doubt due to the fact that so many cameras now come with built-in flash.

Still cameras run deep

Sales of still cameras—a good indication of a retailer's commitment to the photo category—increased 14.1 percent in groceries in 1986, following a 28.7 percent increase the previous year.

Blank audio and video tape cassettes are often sold in the photo department, and they have been showing healthy increases both nationally and in grocery stores. Blank video cassettes are now a billion dollar business at retail, and have been for several years. The grocer's share of this business remains much smaller than his share of the photographic film business—4 percent, compared to 27 percent.

One of the curious aspects of the photo business is that film and processing continue to grow while camera sales are, in dollar terms, relatively stagnant. The flat dollar numbers in cameras, however, mask a major shift towards the 35 millimeter format. "People are retiring their old 110's and 126's and opting for 35," says Shay.

This is a result of the new, easier-to-use 35-millimeter cameras: Autoload, autowind, autofocus, and autoexposure cameras are the darling of the market, growing, says Shay, "somewhere around 30 or 40 percent a year," while other segments of the camera market are flat or down.

This has resulted in a dramatic increase in market share for the 35 millimeter film format. "Right now," says Shimshack, "57 percent of all color negative roll film is 35 millimeter. That's come from a relatively small number just a few years ago." Shimshack goes on to point out that that's 57 percent of the rolls, and a much higher percentage of exposures, because 35 millimeter film comes in longer rolls.

So even though more than 90 percent of American households own cameras, the prospects for film and processing sales are bright because of the new cameras that people are replacing the old ones with.

The growth of the film market has elicited a new brand. Minnesota Mining and Manufacturing has been national with its Scotch brand film for about two years, with growing acceptance in supermarkets. 3M is, of course, no newcomer to the film business. "We're also the number one manufacturer of private label brands," says Curt Anderson, a marketing supervisor at 3M.

Anderson feels that 3M's 20 years of experience with private label helps it to market its new national brand. "We're able to customize programs and provide display material, merchandising, that other film manufacturers can't do," says Anderson. "That's our strength in the private label area. And a lot of that capability transfers to the national brand. So we do things for the Scotch brand that we have become experts in in the past in the private label area, and it makes the Scotch brand even more attractive. It still has the national exposure and the national backing, but it has the private label marketing touch to it."

Anderson doesn't see that the introduction of a national brand will cause 3M to slack off on private label. He feels that what's appropriate depends on the retailer. "If they have a presence in private label," then they may want to consider a private label film. "If they tend more toward the national brands, then Scotch brand film would be the select choice for them. We don't direct them one way or the other. It's up to the individual grocery."

Fuji is more inclined toward national brand marketing, and Shay likes to think that the company has influenced the whole field for the better. "Film now has become very promotional," he says, with "all sorts of typical package goods marketing progams. We initiated a lot of that, and I think it's been healthy for the whole category. A lot of these things are exactly the kind of things that supermarkets like to do."

—WILLIAM K. WEST

IT'S TIME TO GET OUT OF THE DARK.

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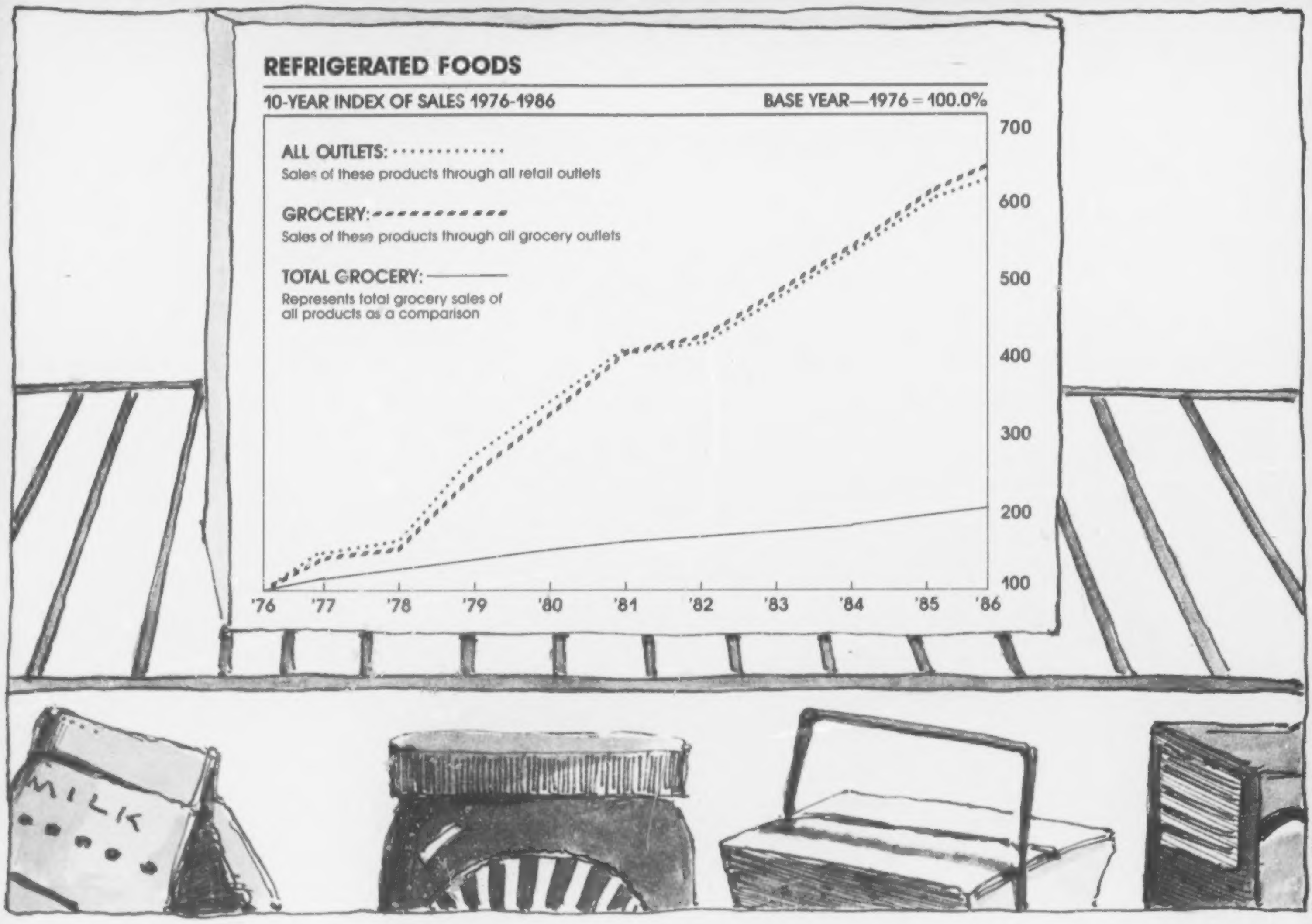
REFRIGERATED FOODS



Debbie Tilley

The shift from frozen concentrate to refrigerated juices accelerated, leaving refrigerated cases bulging.

The word from juice makers eyeing supermarket refrigerated cases this year is "more." More exotic juice flavors. More line extensions. More fruit drinks to supplement juice lines. And more products with less sugar now that the Food and Drug Administration has given its okay to the use of the artificial sweeteners in refrigerated drinks.

Loudest of all is the cry for more space as juice makers squeeze new products into refrigerated cases already bulging with refrigerated dough, salads, dressings, sauces and fresh pasta. Consumer demand for these cool products continues to be strong, driven by the desire for products that are fresh or convenient or both. In fact, consumers seem willing to make major sacrifices for the convenience of refrigerated.

Michele Beale, a vice president for public affairs at Coca Cola Foods (Houston, Tex.), which produces Minute Maid juices, concedes that refrigerated is not necessarily superior. "The best value and most consistent quality and taste is in frozen concentrate," says Beale, "but consumers like the convenience of chilled juice."

In fact, it would be correct to say that consumers *prefer* the convenience of refrigerated now. A year ago in this space we reported a watershed of sorts—refrigerated orange juice outsold frozen concentrate for the first time. According to figures from SUPERMARKET BUSINESS's 40th Annual Consumer Expenditure Survey (CES), the shift from frozen to fresh accelerated this year. In 1985, when refrigerated orange juice outsold orange juice by a margin of $88 million dollars, the two categories totaled $2.83 billion.

In 1986, according to CES figures, the gap between frozen and refrigerated widened considerably. Refrigerated juice outsold frozen concentrate by $393 million dollars in grocery stores, this despite a drop in spending on the two categories to $2.71 billion. Refrigerated orange juice sales in grocery stores grew by 6.3 percent in 1986 to $1.55 billion. Concentrate sales fell 15.6 percent to $1.16 billion.

While refrigerated orange juice outsold all other refrigerated juices by at least 10 to one, orange juice was among the slowest growing segments of the refrigerated category, although prices are generally lower than a year ago. According to CES figures, sales of refrigerated grapefruit juice grew 6.5 percent to $128 million, refrigerated orange-flavored drinks grew by 7.2 percent to $109 million, and other fruit juices and drinks—everything from refrigerated cranberry juice to refrigerated iced tea—grew a whopping 31 percent in supermarket sales. Not surprisingly, producers are responding with a flood of new products and packagings.

Tropicana (Bradenton, Fla.) is a case in point. In the last year, the company, which is owned by Beatrice, has expanded its line from two items, orange and grapefruit juice, to five by adding orange/pineapple juice, lemonade, and fruit punch. Tropicana extended the orange juice line by introducing Home Style Orange Juice, a version with pulp. Finally, Tropicana made all of its new products available in 16-, 32- and 64-ounce sizes.

Influence of trends

Neil Cribb, marketing manager for Tropicana, says the company's emphasis is on building continuity in the line, a line a Neilsen study Cribb cited shows Tropicana with 29 percent of the ready-to-serve juice market.

"We are not trying to tie into trends," says Cribb. "We feel that our new products are natural extensions of the Tropicana brand name."

Minute Maid, which claims a 22 percent share of the orange juice market for its chilled and frozen products, has a similar strategy to extend its line of juices. In October the company introduced Minute Maid Calcium-Fortified Orange Juice in test markets in Chicago and Texas. Later it expanded to the West Coast and went national in June of this year. The calcium-fortified juice joins the company's regular orange juice and a Country Style version (with pulp), which was introduced last year.

"The addition of calcium gives consumers a new reason to drink orange juice," says Beale. "Some people don't like the cholesterol and fat in milk and cheese. Calcium pills are expensive. Calcium fortified orange juice is priced about the same as regular orange juice, but provides a third of the recommended daily requirements for calcium."

Low-cal juice

Minute Maid's latest entry into the refrigerated drinks category is a line of artificially sweetened, low calorie fruit drinks introduced in May of this year. Minute Maid has a jump on the competition with the line, called Minute Maid Light 'n Juicy, going national with the product within half a year of initial approval of aspartame sweetened fruit drinks by the federal Food and Drug Administration. Similar products made with saccharine have been available, most notably the Tree-Sweet Lite line from TreeSweet Products (Santa Ana, Calif.) but aspartame-sweetened products are expected to dominate the new category, as they have in soft drinks.

Light 'n Juicy, sold in 64-ounce cartons, contains 14 or fewer calories per six-ounce service. Lemonade has only six calories per serving. The line also includes a grape drink with 10 percent juice and fruit punch.

According to Beale, "Sales of Light 'n Juicy have been consistent throughout the country. There have been good re-orders across all flavors."

Tropicana is monitoring its competitors' moves with calcium additives and artificial sweeteners, but is reluctant to imitate them.

"Our strategy is 100 percent pure juice, nothing added, nothing taken away," says Cribb. "Consumers are looking for pureness. Adding calcium or artificial sweeteners is not consistent with our strategy. Besides, orange juice is not the logical place for consumers to go for calcium."

Other flavors

At Ocean Spray (Plymouth, Mass.) John Kirtland, division business manager of chilled products, says the company is taking a "hard look at aspartame-sweetened products," and may introduce some next year. For now, though, the company is concentrating on its two premium chilled products, Crantastic, a cranberry fruit drink, and Pink Premium, a chilled pink grapefruit juice.

Ocean Spray's entries will be competing with a growing number of non-citrus and exotic juices, such as the new line of refrigerated Dole pineapple juices from Castle & Cooke Foods (San Francisco) in pineapple, pineapple-orange and pineapple-grapefruit flavors. Other entries include an orange-banana juice from Chiquita Brands (Montvale, N. J.).

Kirtland claims that Ocean Spray is well-positioned for sales at the premium end of the refrigerated juice line which he predicts will grow rapidly over the next few years.

"Ocean Spray was one of the first companies to produce premium quality, premium-priced juices. Before that, everything except orange juice in the refrigerator case was 'belly wash,' not natural juice," Kirtland says.

The squeeze on space

Retailers say that despite strong consumer demand, it's hard to stock all the new products.

"There are a lot of new products appearing," said Berryl Weinstein, vice president of procurement for Xtra (Great Neck, N.Y.). "We like to have new products on hand when producers are advertising them, but then we have to evaluate very carefully how the products are doing. We can't keep juices in the case if they're not moving."

Chilled juice in Xtra stores sells from a case opposite the dairy case. In some of the operation's South Florida stores, the chilled juice competes with instore fresh squeezed, from a commercial-size juice squeezing machine. The squeezers take up about 1,000 square feet of space, producing fresh orange and grapefruit juice. Fresh orange juice sells for $2.99 a gallon. The same stores sell half gallon cartons of Tropicana orange juice for $1.89. Although the fresh squeezed juices are popular and profitable, Weinstein said the packaged refrigerated juices outsell fresh squeezed, in part because there are more varieties in the refrigerated case, but also because the refrigerated products have a premium image.

Other chilled products

Juices take most of the room in the refrigerated cases, but other products continue to do well in the refrigerated category. Refrigerated salads, though only a $7 million dollar category according to CES figures, jumped 21.6 percent in sales. Refrigerated dough, a category dominated by Pillsbury (Minneapolis), also continued to do well. CES figures for the year show dough rose 12.7 percent to $633 million in supermarket sales.

A Pillsbury spokesman says that the company's line of premium cookie dough, reformulated in 1985, continues to do well, as did its breakfast biscuits and some of the newer products: a Crusty French Loaf Bread, rolled out in 1985 and the All Ready Pizza crust, rolled out nationally in the fall of 1986.

The only new product for 1987 is Pastry Pockets, four pieces of dough designed to be used in preparing quick, hot homemade sandwiches. A spokesman called the product something of a departure for Pillsbury "because it is designed to be eaten as a quick meal, rather than an addition to a meal or a dessert." As with other products, advertising will stress its convenience.

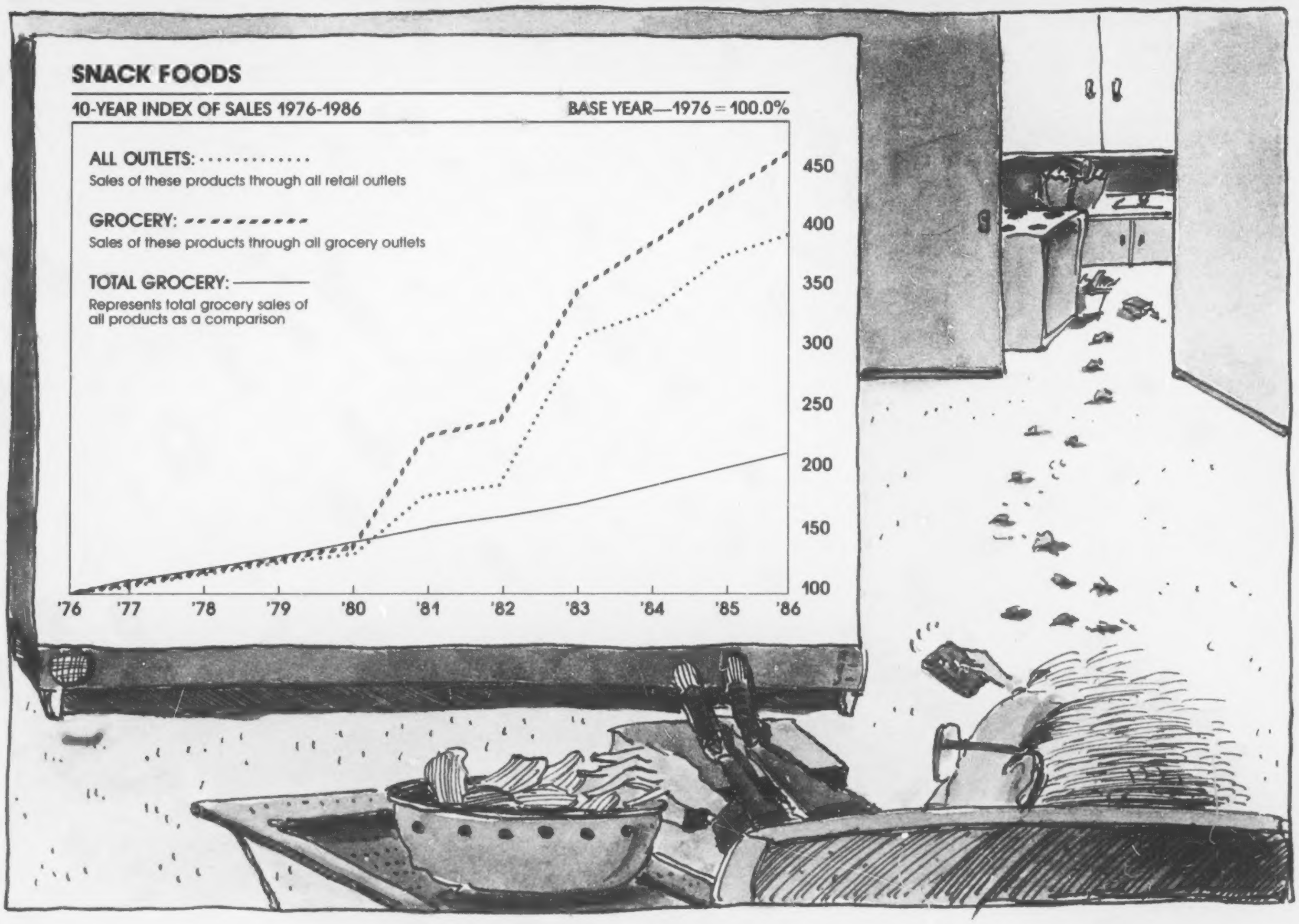
—TONY MC GINTY
WITH LESLIE GILBERT

REFRIGERATED FOODS

Low-calorie juices sweetened with aspartame are one of the fastest expanding categories.

CONSUMER · EXPENDITURES · STUDY

SNACK FOODS



Debbie Tilley

While a few big players dominate the snack food industry, smaller regional players with innovative products are still a force to be reckoned with.

American consumers are snacking up a storm. The demand for things salty, sweet and spicy pushed supermarket sales of snack foods to record levels last year. But the push to titillate consumers' tastebuds with everything from Cajun-style potato chips to microwavable popcorn carries a pretty hefty price tag for producers—a significantly hotter competitive environment.

Major manufacturers, meaning the four or five companies that together account for as much as 80 percent of the total snack food market, are no longer just competing against each other for market share. Regional and local players (by some estimates as many as 150 firms across the country) continue to spring up. Slowly, but surely, they have become a force to be reckoned with, as consumers respond favorably to their unique lines.

The effect of these smaller firms on the industry giants is difficult to gauge in dollar terms, according to industry executives. It is apparent, however, that the big guns are not sitting back on their laurels. Even Frito-Lay, the Dallas-based division of Pepsico, which is said to control about 50 percent of the snack food sales in the U.S., has been forced to rethink its strategy, allowing its brands to take on a more regional flavor.

In contrast, a new national marketing strategy from Columbus, Ohio-based Borden is trying to strengthen the position of its eight regional snack food companies.

The positive side to these competitive dogfights is that an increasing amount of money is being spent in research and development. True, some offerings just don't work. However, the continued frenzied pace of new product development is evidence that producers believe consumers want more food to snack on, and are willing to pay for it.

Further fueling volume in the category is a shift in consumer attitudes. Snack food is no longer synonymous with "junk food." This shift in attitude is partly attributable to the rise, and in some cases, continued popularity, of granola bars and fruit-based snacks. However, the message that other manufacturers are trying to get across is that potato chips are not the bane of the calorie-conscious, and popcorn, high in fiber and low in cholesterol, is pretty nutritious—at least before consumers add butter and salt.

The profit picture

Overall sales of snack goods in supermarkets jumped 5.3 percent in 1986 according to SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES). The largest category, potato chips, gained 8.3 percent to reach $1.97 billion in supermarket sales. Corn chips rose 5.3 percent to $854 million, pretzels rose 5.8 percent to $275 million, unpopped popcorn was up a whopping 26 percent to $419 million, while the popped variety gained 8.3 percent to $262 million. In fact, the only category of snack food

SNACK FOODS

While sales have been brisk, profits have been thin. Fierce competition and the expense of reaching into new markets are blamed for modest profit gains.

that showed a loss in 1986 was snack nuts, which dropped a modest 0.1 percent.

But these sizable gains in sales did not necessarily spell profit gains for producers. According to the Snack Food Association (Alexandria, Va.), the profit picture in the industry was less than bright even though commodity prices were the lowest in years. The average profit of firms responding to a recent survey by the association were up 6.14 percent, down from an 8.5 percent gain the year before.

"Fierce competition and the penchant by many firms to use the 'gravy' from lower raw material costs to reach into new markets took its toll," the association reports.

Based on comments from manufacturers, this trend may continue for 1987 and beyond. During the next three years, nearly half of all manufacturers predicted that unit growth will come from expanded distribution. Another 30 percent said it would result from increased shares of current markets. But only about 11 percent expect unit growth to come from new products, and only 9.7 percent said unit growth will come from line extensions.

New regional strategy

Frito-Lay, the nation's largest manufacturer of salty snacks is responding to increased competition by decentralizing its promotion efforts. The company, which last year suffered from several unsuccessful product introductions, has implemented a new regional marketing strategy which is designed to funnel part of its national promotion budget to eight offices around the country.

Company spokesman, Beverly Holmes, explains: "We've had zone marketing managers for the past couple of years. But, until now, if the sales force in Alabama had an idea for a promotion in its area, it had to come to headquarters in Dallas in order to pitch the concept."

Under the new regional strategy, the eight zone marketing managers have their own budgets, and they work directly with the local sales force to pull together special events or promotions which are regionally or chain-specific. "Each regional area will be able to adapt promotions to suit the market. This is being done for point-of sale material and couponing. It has allowed us to be more flexible and implement events very quickly," said Holmes.

So far, the results from this regional marketing have been excellent, says Holmes. One recent example was a change in a national promotion by a California zone manager. The program called for a tie-in between Slice and Frito-Lay products. The item was changed to Pepsi at the request of a Pepsi bottler in California. Another California promotion involved a sweepstakes which was tied to variety packs of Frito-Lay products. School-age children in Southern California can win one of four $5,000 scholarships.

In Akron, Ohio, there was a tie-in between Ruffles potato chips and the local Soap Box Derby. Customers could win 10 mini racers, or soap box racer kits. Special header strips were made up for use in local stores. Additional promotions will tie in with various National Football League teams, with the Indianapolis 500 and the Kentucky Derby. "These things put our zone managers in a creative position," said Holmes.

The company's bold marketing moves are meant to supplement, not overshadow, brand activity. But in 1987 and in 1988, the company intends to concentrate its efforts on core products such as potato, corn and tortilla chips, said Holmes.

New products which are expected to boost business this year include Cajun Spice Ruffles. Introduced in March and since rolled out nationally, the product has garnered national appeal. There has been a similar success story with Jalapeño flavored Fritos corn chips which debuted last April.

Exotic flavors

Since exotic flavors are still a driving force in the snack food business these days, Frito-Lay is test marketing two new ones in the Southwest and Northwest. These are Jalapeño and Cheese Tostitos and Salsa Rio Doritos, another entry in the Mexican segment. Last year, the company's big winners in flavors were Jalapeño and Cheddar Lays, Cool Ranch Doritos and Chili and Cheese Fritos. Together, said Holmes, these products brought in $250 million in sales.

Frito-Lay is also repositioning several previous entries. Last year, the company introduced a varied family of items under the name Max Snax. It consisted of Rumbles, a granola nugget, Stuffers, a corn shell with a dip filling, and Toppels, a potato based cracker with a cheese topping, none of which did well.

The failure of these items was an expensive lesson and the company had to take a $52 million write-off last year. Although these three products were removed from the market in April, Frito-Lay is not ready to give up the ghost entirely. Toppels has been renamed Cracker Snax, and is now being test marketed in Dallas.

A reintroduction may also be in store for Kinkaid's, a kettle-style potato chip. It was originally introduced last year in Northeast and Midwest test markets. "We're not dropping out of kettle chips. We're reformulating the product and we don't know if we'll use the same name," Holmes notes. However, it is likely that a kettle chip will be back on the market this year or next.

Frito-Lay is, however, doing very well with two other potato chip brands—O'Grady's and Delta Gold. O'Grady's, a thick cut chip, comes unflavored and au gratin. The latter makes up a major part of the sales volume, she says. Delta Gold is no longer being touted as a premium brand. Rather, the company has found that people in certain areas of the country simply have a preference for a chip that is lighter in color.

National strategy at Borden

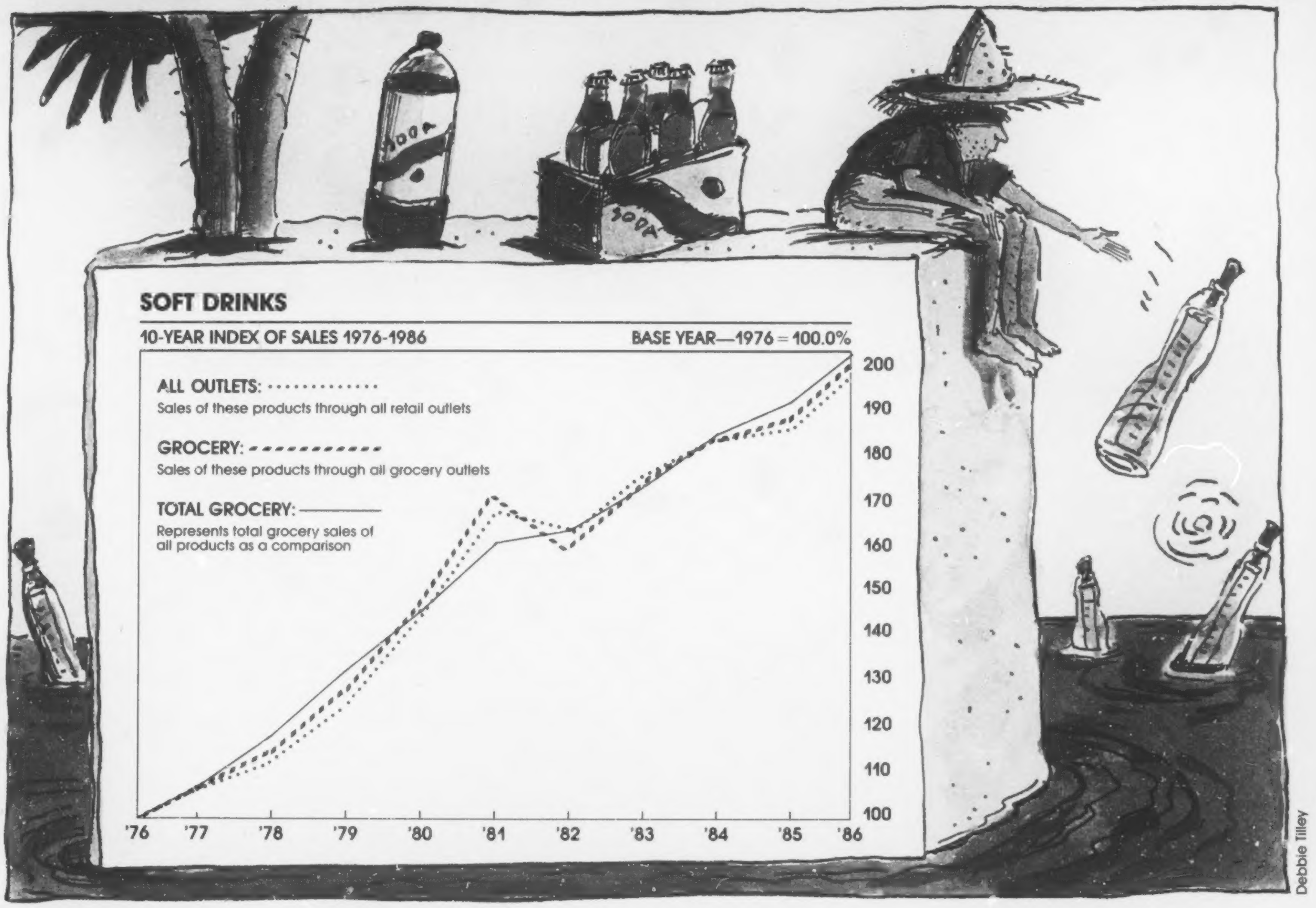
As Frito-Lay attempts to regionalize its marketing and reposition some of its existing brands, Borden is closely monitoring Frito-Lay's progress.

The entire nature of the snack food business is regional in nature due to the fact that products are store-delivered. Borden has been something of an innovator in this strategy with its acquisition of strong regional firms. However, this year, the company, which is in second place in the snack food arena, decided to expand its strategy by adopting a "national overlay" approach. This means that Borden is concentrating more on identifying regionally developed products that have national potential.

"We are maintaining the regional brand business. But we call ourselves a national snack food company with a regional flavor," says manager of marketing services, Mary Drennen.

Continued on page 240

SOFT DRINKS



The $12.1 billion soft drink industry grew 4.3 percent overall in 1986, and by 4.6 percent in terms of grocery store sales. But diet soda provided almost none of that expansion.

What has Rapp wrought? C.J. Rapp, president of The Jolt Co. (Rochester, N.Y.), has made its namesake soda something of a *cause celèbre* among cola fanciers around the country. Jolt, Rapp proudly proclaims, has real sugar and twice the caffeine of those other colas that seem perpetually at war with each other. "Cola," he says, "was never meant to be a health food."

It is a sales pitch to which a number of people seem to be responding, and almost all of them in supermarkets. Jolt has no fountain or vending distribution at the present time, and Rapp estimates that those venues will not be available to him for perhaps five years. For now, virtually all of his sales—and he acknowledges that he's not exactly hurting the bottom lines of those other cola companies—are supermarket sales.

"We've really been very fortunate," says Rapp. "The response has been amazing. Our sales are constantly increasing and the product is now widely available." In fact, as of this fall, Jolt is available nationwide. The response has been so positive to the soft drink, which was first introduced in April 1986, that Rapp is now planning his first line extension.

"Every time we've entered a new market," he says, "we've gotten lots of mail from people who have said they love the taste, and they love the kick of the caffeine. But they've asked us if we could come up with a low-calorie, high-kick version." Hence, coming soon to a supermarket near you: Jolt-25, which has just 25 calories and twice the caffeine of most diet colas.

"Don't think this is some weakening of the knees," Rapp says, noting that the original concept behind Jolt was contemptuous of the many line extensions brought out by those other cola companies. "There's never going to be a "New Jolt." This is going to be the extent of the Jolt line. There may be other sodas from our company that will not be under the Jolt name because we have to service our distributors and balance out the line. But this is it for Jolt."

Apart from the breed

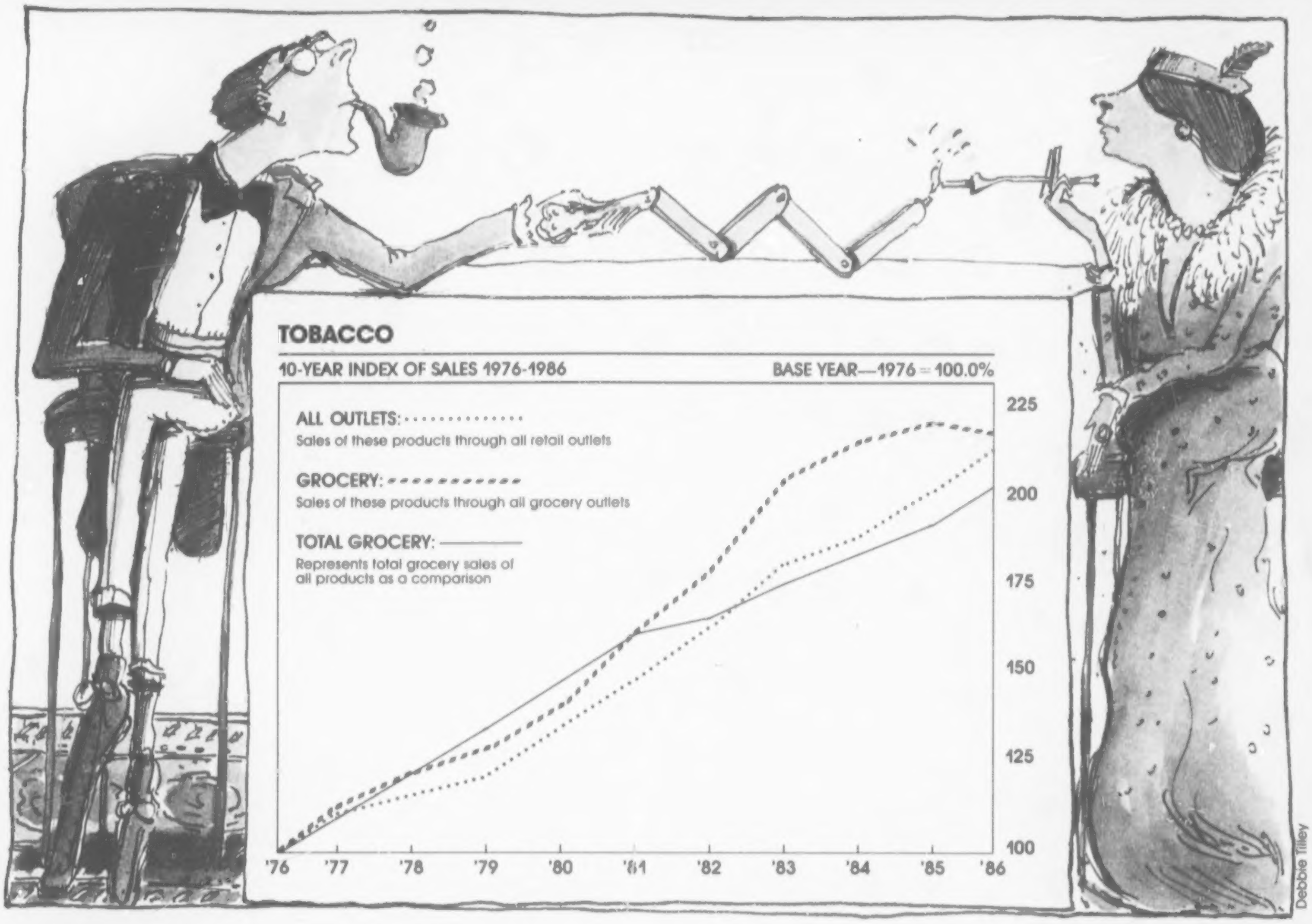
Curiously, one of those other cola companies is currently testing a product that, if it is not exactly along the same lines as Jolt, seems to have reverberations of that product's marketing strategy. Consumers in Indianapolis, Ind., Seattle, Wash., and Jacksonville, Fla., have recently been treated to a diet cola called Jake's. Setting it apart from the rest of the breed is the fact that Jake's has 15 calories because of its blend of NutraSweet and fructose.

But Jake's isn't made by some low-profile soft drink manufacturer. It's made, in fact, by Pepsi-Cola USA (Somers, N.Y.).

"Everything about it is brand new," says Ken Ross, a spokesman for Pepsi. "It's a diet soda that tastes more like a regular cola. The imagery used to sell it is a real down-home image, unlike the traditional

Continued on page 243

TOBACCO



Cigarettes turned in a strong performance in supermarkets, in part because space allocations are on the rise.

In the tobacco industry, the old adage applies: the more things change, the more they remain the same.

Look at 1987. Because of changing consumer habits, tobacco consumption is down. Manufacturers are being scarred in competitive dogfights for market share. The government is threatening to intervene in the market with higher excise taxes. And industry lobbyists are working double overtime trying to head off a proposed advertising ban.

Tobacco industry executives have seen it all, but they are far from complacent about the state of their beleaguered business. Overall, they are an optimistic lot. And there is good reason for it.

Consider the following:

☐ Industry profits remain fairly strong, thanks to high consumer demand and internal operating efficiencies.

☐ New product activity is bearing fruit for many companies, particularly those in the price value segment.

☐ DPP calculations have convinced many retailers to allocate more space to cigarettes, and pay greater attention to merchandising.

Executives are quick to point out that there is little the industry can do to bolster consumption when its decline is the result of societal factors.

"You have to live with it," concedes Jack Gilles, vice president of sales development for Philip Morris (New York). Gilles adds that the best estimates at the moment forecast a two to two-and-a-half-percent decline in consumption in 1987, a rate of decline that is not appreciably higher than other years in the recent past.

Certainly local laws regulating smoking are becoming more restrictive. Recently, in Beverly Hills, Calif., city officials banned smoking in restaurants unless the restaurant is located in a hotel or has a bar. Other communities have banned smoking in indoor public areas, in government offices and in some cases have begun to try to regulate ambient smoke in private offices.

Tax increase anticipated

The subject of excise taxes is another of the industry's recurring nightmares. At present, there are seven tax bills on Capitol Hill, five of which pertain only to cigarettes, with two others geared to cigarettes and smokeless tobacco.

"It's impossible to tell what Congress will do. Our view is simply that an excise tax is a regressive tax and we oppose it," says Clyde Fitzgerald, senior executive vice president of R.J. Reynolds (Winston-Salem, N.C.).

William Kloepfer, senior vice president of the Tobacco Institute in Washington, D.C., is optimistic the industry will defeat an excise tax. "It certainly doesn't look bad as far as Congress is concerned. There is an antiexcise lobby from many sources in the political spectrum. There is discernible recognition of the unfairness and regressivity of this tax."

TOBACCO

"Supermarkets have been doing a better job of capitalizing on sales of cigarettes," notes one industry executive.

Kloepfer notes.

Another tax issue, which Kloepfer calls "unconscionable," is the advertising service tax instituted in the state of Florida. The tax, which is based on total expenditures, has the entire industry up in arms (For more on Florida's tax see SUPERMARKET BUSINESS, August 1987, page 13.)

Liggett & Myers (Durham, N.C.), to cite one example, has pulled its advertising out of Florida and will no longer hold conventions or other meetings in the state. Fitzgerald warns that the company is "watching the situation and will take appropriate action." A Brown & Williamson spokesman says the company is also watching the situation closely, but, as yet, the firm's activities in the state have not been altered.

Possible advertising ban

One other item on the legislative front is a move to ban tobacco advertising. At the federal level, there are two bills pending that would not only ban straight advertising, but also the sponsorship of events by tobacco companies. Tobacco producers fervently believe either move would violate their First Amendment rights, but executives say that even assuming a worst-case scenario (a total advertising ban), the industry would survive.

Notes Thomas E. Sandefur, Jr. president and chief operating officer of B&W: "The survival of the industry is now really tied to restrictions on marketing. There have been many test markets where this ad ban has occurred. Sales volume hasn't declined when advertising is banned, it's actually increased. There are many Scandinavian countries where products are not only prohibited from being advertised, but also from promotion."

Advertising, Sandefur says, doesn't sell consumers on smoking cigarettes. "What advertising does, hopefully, is convince a person who has chosen to smoke that your brand should be the one he smokes."

How producers fared

Because overall consumption is declining, competition between producers for sales is intense. According to the *Maxwell Report*, an industry monitor, cigarette sales were off 4.4 percent in the first quarter of the year as a result of heavy buying during the tail end of 1986 when manufacturer price increases went into effect. On a trailing-year basis, industry shipments for the 12 months ended March 1987 slipped 1.7 percent. "This rate of loss is in line with industry trends observed for the past few years, and is in line with estimates of retail sales declines," Maxwell states.

Despite those volume declines, overall sales of cigarettes were up in 1986 according to SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES). Because of higher prices on products, supermarket cigarette sales jumped 4.4 percent to $10.59 billion, 43 percent of the overall industry total. Filter-tipped cigarettes did best, up 4.8 percent to $9.97 billion. Nonfiltered cigarettes, continuing many years of losses, fell 2.0 percent to $63 million. Grocery store sales of other tobacco products fared poorly. Cigars were down 3.1 percent, loose tobacco and snuff down 0.8 percent

Looking at overall market shares for some of the industry's leaders during both the first quarter and trailing 12-month period yields some insights into one of the major trends affecting the industry—the continued popularity of the "price value" segment of the market, the industry designation for cheaper branded cigarettes and generics.

During the first quarter of the year, Philip Morris (PM) had a 36.4 percent share, up 0.8 percent from the same period last year, according to the *Maxwell Report*. R.J. Reynolds (RJR) was second with a share of 34.8 percent, 1.6 percent higher than last year. These firms also experienced share gains in the latest 12-month period. Philip Morris did well with its standard-priced brands as well as its entry into the price value segment (Cambridge and Players Lights brands), whereas RJR's growth is almost exclusively the result of the successful rejuvenation of Doral, its price value entry.

First-quarter declines were posted by Brown & Williamson (1.2 percent), Lorillard (0.7 percent), American Brands (0.3 percent), and Ligget & Myers (0.2 percent). These firms recorded fractional declines for the trailing 12-month period.

In the standard price brand category, PM's Marlboro led the pack with a market share of 23.2 percent during the latest 12 months. This represented an increase of one percentage point over the prior year. Gains were also racked up by Lorillard's Newport, PM's Virginia Slims, and RJR's NOW.

Weakness in generics

Maxwell and other industry observers note that the price value segment continues to be the bulwark of the tobacco industry's growth. He anticipates that this segment's share of industry sales will reach 10.5 percent by the end of the year. Moreover, its growth could be accelerated if there is an increase in excise taxes.

Doral is the front runner in the price value segment. For the first quarter, the brand had a market share of 3.1 percent, and represented more than 25 percent of sales in the entire price value category.

The old black-and-white generics are not a dead issue, but the segment's market share in the first quarter was down to 4.4 percent, from 4.6 percent a year ago, and there is little doubt in the industry the popularity of the cheapest generics is on the wane.

What were the standings in the hotly competitive price value segment? According to the *Maxwell Report* (viewed on a trailing 12-month basis) RJR had a 35 percent share, followed by Liggett & Myers (L&M) at 27 percent, Brown & Williamson, 25.3 percent, and Philip Morris at 12.7 percent. The figures show a precipitous decline in share for Liggett from the same period last year, the result of competition from other entries in the field.

Discussions with industry executives make it apparent that the price value segment continues to be a high priority. However, research development, advertising and promotional activity in standard-priced brands, as well as products geared to female smokers, are not going to be placed on a back burner.

Earlier this year, B&W began making a bid for an important growth area—female smokers—with the introduction of CAPRI. At 17 millimeters in circumference, CAPRI is now the slimmest cigarette on the market.

CAPRI, featuring elegant graphics and a trim box design, was tested in the Louisiana market earlier this year. Results were better than the company's most optimistic expectations and by mid-year, testing was expanded to other Southeastern markets, including Florida,

TOBACCO

The old black-and-white generics are not dead, but sales are off

Georgia, Mississippi and Alabama.

While B&W is putting considerable effort behind its newer brands, a spokesman notes that older brands are not being ignored.

In July, the company began a new promotional program for Kool, the first menthol cigarette to be widely marketed in the U.S. Kool remains the fourth largest-selling brand in the country, according to the company, and the new promotional program is aimed at bringing greater consumer attention to the brand's various packings including Kool Milds and filter kings.

Activity in the long-time brands is also evident at Philip Morris. According to Gillis: "Marlboro continues to generate new sales and share gains in unit volume, and we are developing new marketing programs." These programs include Marlboro Country Music, auto racing sponsorships, and Marlboro Gear, a sports equipment tie in. Gillis also notes that PM Blues, a menthol offering, remains in the Cleveland test market. It is doing reasonably well," he says, adding that the company is expanding the test markets for Virginia Slims Ultra Lights.

Liggett & Myers officials are very positive about the direction of their business for 1987, although market share is eroding somewhat and branded sales are off. One of the areas the company is particularly enthusiastic about is its price value entry— the L&M 30-pack. In July, the company began test marketing the cigarette in eight districts in the Southeast— including Knoxville and Louisville, Ky., Raleigh and Charlotte, N.C. and Greenville, S.C.

The decision to come out with a 30-pack was based on the popularity of the 25-pack offerings on the market. "But we didn't want to come in with another 25," a spokesman says. "This gives consumers the equivalent of 10 free cigarettes per pack and it is priced the same as a 20-pack." The product is being supported in test by billboards, newspaper ads and point-of-sale promotions. Generics, a business that Liggett entered several years ago, is still good. "We gave people a quality product at a price savings. If you don't deliver quality, people won't buy it again," says the spokesman.

The L&M spokesman also points to figures from the Maxwell report showing a decline in generics volume. However, she believes the outlook for the balance of the year is good. Beyond that, she adds, the business will continue to shift to what she calls "second generation generics," upscale offerings with better packaging and brand identification.

Noting that RJR's business is off only fractionally in the first half of 1987, Fitzgerald says Doral is one of the factors responsible for the growth in the price value segment. In the value-added subsegment, the company is doing well with Century 25s, and he believes that the brand is outperforming its competitors.

RJR is also positioned to take advantage of the female segment of the marketplace. "Our More and Ritz brands have strong appeal in that market," Fitzgerald says, "and we are well-positioned to gain market share."

Supermarkets, which have lost some volume over the past several years to convenience store retailers, are now throwing down the gauntlet. Space allocation in many supermarkets is on the rise. Furthermore, DPP calculations are proving that profitability of cigarettes is worth the merchandising effort.

"Supermarkets are a substantial piece of the business across the country, and a key outlet for sales, especially in cartons," says RJR's Fitzgerald. "But such outlets as convenience stores and gas stations are predominant in packs."

In recent years, Fitzgerald adds, "supermarkets have been doing a better job of capitalizing on sales of cigarettes, and we feel we are taking a leadership role in assisting them," he emphasizes, noting that the company pioneered DPP studies in supermarkets in 1978. These studies have been helpful in gaining space for the entire category in general.

Increased space allocations have been aided by the development of new fixtures for packs at the checkout and self-service end-cap displays for cartons. "We have a number of merchandising fixtures which are prevalent in the trade. But there are more efficient fixtures in stores of all types. Also, in the last six years, there are more fixtures that are tailored to a store's decor," Fitzgerald says.

Gillis of Philip Morris agrees that convenience stores have cut into cigarette sales in supermarkets because of their aggressive merchandising and pricing stance.

"But supermarkets get high marks. They are trying to address the need for more space. They realize their constraints, but they want a larger variety. As such, they are more attuned to inventory."

Gillis feels that some retailers still pay too much attention to shelf payments by manufacturers. "About 85 percent of profits come from sales," he notes. "But you can't merchandise to 95 percent of customer preferences if you only carry 75 percent of what the consumer wants."

—LEN LEWIS

SMOKELESS MAKERS SEE SIGNS OF STABILIZING MARKET

Smokeless tobacco, industry executives agree, is not setting the world on fire. Unit sales of chewing tobacco and snuff were both down for 1986, and long-term prospects for growth are slim. Still, the category has a loyal consumer base estimated at 10 to 12 billion users who will spend over $1 billion dollars this year which, as any snuff maker would say, is nothing to sneeze at.

The best that can be said about the industry's performance last year is that business was flat. The worst assessment is that there have been some whopping declines in certain subsegments, such as plug tobacco.

According to the *Maxwell Report*, an industry monitor, 1986 unit sales of smokeless tobacco were down 6.2 percent, the largest decline in recent history. The plug and moist plug categories were down 14 and 13.7 percent respectively.

Citing industry figures, Bill Melton, vice president of marketing for the Pinkerton Tobacco Co. (Richmond, Va.), says that since 1981, sales in the plug subsegment have declined about nine percent per year, while dry snuff has been declin-

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The value-for-money segment continues to get high priority from manufacturers.

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ing about six percent annually. On the other hand, the moist smokeless products have been growing at a rate of five to seven percent since 1972.

One of the major reasons for the decline in plug and dry snuff is that these products are used primarily by older, lower-income consumers in the 55 to 60 age group. "No new consumers are coming into the category," says Melton. He also points out that federal excise taxes were responsible for last year's decline.

Ted Powell, vice-president of marketing for the L.P. Conwood Co. (Memphis, Tenn.), agrees. "Taxes were the single largest reason for the decline in pounds sold. We had a Federal excise tax for the first time since 1964, and a number of states have added, or increased, taxes on our products," he notes. These smokeless products are generally consumed by people who are very sensitive to price increases, he adds.

Florida, for example, slapped smokeless products with a 25 percent excise tax, while a similar action by the Oklahoma legislature has increased the price of many products by the equivalent of 50 cents per can. "In many states, the product is approaching two dollars," says Melton. "Our consumer does not have a high level of discretionary income. So if he gets hit with a 50-cent increase on a can, the increase hits him dramatically."

Given the indications of declining consumption, supermarket sales were relatively good last year. According to SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES), supermarkets, where just under half of the smokeless tobacco and snuff products are purchased, smokeless tobacco lost only 0.8 percent in dollar sales compared to the previous year. And, overall, industry executives see some bright spots ahead.

Melton predicts continued long-term growth in the moist segment of the business, but not of the same magnitude as in past years. "Most likely, we're looking at increases of one to three percent," he says.

Powell's outlook for 1987 is somewhat optimistic: "I don't see declines like those of 1986 in the future. I don't see a reversal in the decline in consumption, but a moderating of the decline," he says. "It's going to be difficult to grow the business in the immediate future—it's a matter of stabilizing it."

The smokeless industry, much like cigarettes, has come under a great deal of public scrutiny because of questions about the connection between the use of smokeless tobacco products and health problems.

This is an issue that the industry feels has yet to be resolved. "Negatives are difficult to prove, and people can make any charges they wish. We can only hope consumers will make their own choices," Powell says.

The industry, however, continued to discourage users under 18 years of age.

A campaign, spearheaded by the Smokeless Tobacco Council, includes the use of public service announcements on television, paid newspaper advertisements, and retail point-of-purchase materials. The major manufacturers, such as Conwood, are supporting legislation on the prohibition of sales to minors.

New products

Manufacturers are trying to conduct business as usual, meaning new products, line extensions and continuation of promotional activity.

At U.S. Tobacco (Greenwich, Conn.), sales through the first six months of calendar 1987 were up eight percent to $275.1 million.

A spokesman for the company, which manufacturers Copenhagen, Skol, Skol Bandits and Skol Long Cuts, notes that 1987 has been relatively quiet as far as new product activity. But during the first quarter, the company introduced Skol Classic into national distribution. This is a moist smokeless that is a variety of the Long Cut Line.

Pinkerton introduced Golden Blend in April, an extension of its major brand, Red Man. "Response by the trade has been very positive, exceeding our forecasts," says Melton.

In July, Pinkerton extended its Renegades brand of moist snuff to the Dallas, Tex., and Charlotte, N.C., marketing areas—a seven-state region. Last year, the item was in the Baltimore/Cincinnati marketing area, an 11-state region. "Response is positive. If it continues, we'll take Renegades national early next year," says Melton.

Levi Garrett, a loose leaf offering from Conwood, is doing well, according to Powell, noting that the product's share of the market is increasing.

The company will have one major new product introduction this year, Taylor's Pride loose leaf. However, the company also has several moist snuff products in test markets, he says.

As noted, enlarging the business will be, at best, a difficult process. One of the major stumbling blocks is retail activity, and convincing retailers of the profit to be made.

"We are small compared to some other categories like cigarettes," says Melton, "and smokeless can be a second-class citizen. Thus it can get less shelf space that the category deserves, and sales have declined dramatically for some retailers who have cut back on space.

This is not always the case. He cited the example of Food Lion, whose sales are very strong in the category, and growing. He also points out, however that the Salisbury-N.C. based chain is in the heart of the consumer belt, which also happens to be a major tobacco producing region.

Another problem with smokeless, notes Melton, is that it is not always easily available to consumers. "Merchandising varies by chain." When the product is well merchandised it is placed on a gondola next to the cigarettes. "But in some stores, you find it is relegated to a small section in the back near the videotapes."

Problems reaching consumers

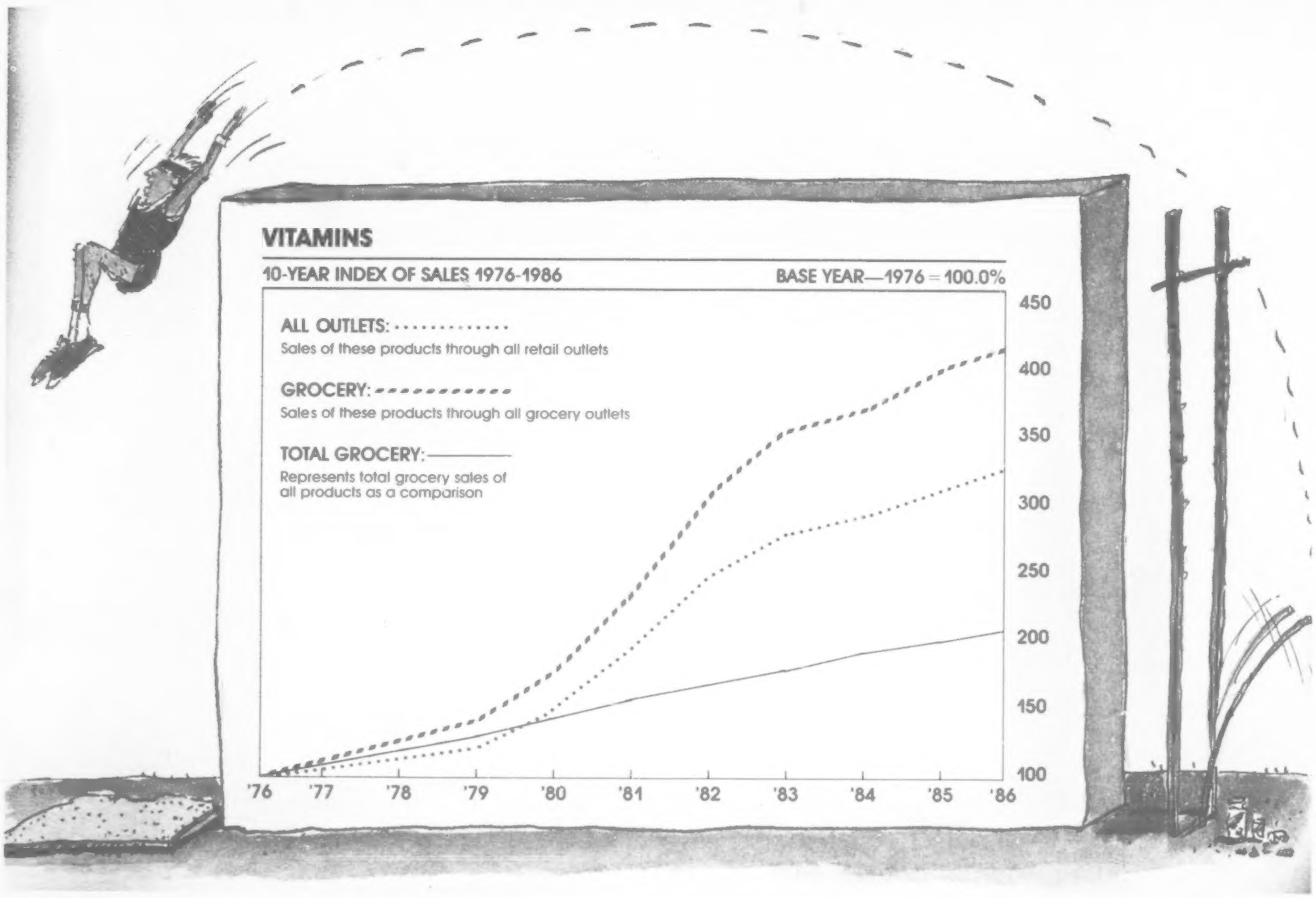
One problem that will continue to plague the industry is consumer advertising. "We've always had a strong promotional program, but consumers are difficult to reach. The electronic media was the easiest, but it's been eliminated."

Melton thinks that Pinkerton will continue to run two major promotions a year. "One of the most successful we ever had was a free Red Man cap. I sometimes think we sent them to every Red Man customer who ever existed."

Pinkerton is looking at other free premiums, coupons and some tie-in promotions. "The ideal tie-in for us is in the automotive aftermarket. We are looking at motor oil and antifreeze. We are also looking at fishing and hunting," Melton says. "We know our customer is big on the outdoors."

—LEN LEWIS

VITAMINS



Debbie Tilley

The vitamin category remains a healthy one. Newest growing segment is the fish oil capsule one, with calcium supplements holding strong.

The news this year in vitamins is a fish story. Fish oil, sold in soft gelatin capsules, has been marketed recently as a means of helping to prevent heart disease. The recommended six pills a day rich in Omega-3 fatty acids may offset the damage caused by the average American's diet.

For now, one thing seems clear—fish oil seems to be seaworthy in the ocean of vitamin supplements. With a boost from an estimated $10 million in advertising for Warner Lambert Co.'s (Morris Plains, N.J.) Promega brand and $10 million more from Squibb Corp.'s (Princeton, N.J.) Protochol, total fish oil sales doubled from 1985 to 1986, to an estimated $30 million last year, according to industry analysts.

This year, analysts are predicting better than a three-fold increase, to $100 million, as Carter-Wallace (Cranberry, N.J.), Thompson Medical Co. (New York) and other manufacturers skirmish for share. Warner-Lambert, the first in the swim with Promega last August, introduced Promega Pearls, smaller, easier-to-swallow capsules, in May, and Squibb has introduced a mini-capsule line extension as well.

A tough act to follow

If the $100 million fish oil bonanza materializes this year, and if supermarkets get their usual share of the vitamin category pie, the oily stuff from the deep could generate $37 million in grocery revenues by the end of the year. That could give a lot of vigor to supermarket vitamin sales, which reached $565 million in 1986, after a 4.3 increase from the year before, according to SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES).

But some retailers doubt fish oil will mirror calcium's rise, which is now an industry with annual sales estimated at $145 million. "When I read all the information and heard all of the hype about fish oil, I thought it would come on just as strong as calcium. But it never did," says Gary Crawford, director of cosmetics and health and beauty aids (HBA) at Randall's Food Market (Houston). "We sell some of it, but it didn't reach the strength that we got with calcium. It just didn't fly."

"Calcium has been a hit for the past couple of years," says Clayton Hollis Jr., director of public affairs for Publix Super Markets (Lakeland, Fla.). "My grandfather tells all the young ladies in our office to take calcium so they don't end up all humped over like my grandmother. Fish oil," he adds, "has only been fair. But it has its niche."

Jenny Armstrong, product manager for Warner-Lambert's Promega, notes that the fish oil category "has grown, to date, with every Nielson period." But fish oil hasn't been liquid gold for Nature's Bounty Inc. (Bohemia, N.Y.) and other companies with products that mimic the national brands.

"Squibb introduced a prod-

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BABY NEEDS

The past year has brought a revolution in the disposable diaper business; super-absorbent products have grabbed half the business.

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confirms and which it says is the highest it has had in several years. A year ago, Gerber says, its share of the total baby food business had dropped to 60.5 percent, and in March 1986, when the controversy was at its height, Gerber's share of the baby food market was as low as 52 percent.

Things have changed. A year ago a spokesman for Beech-Nut Nutrition Corp. (Fort Washington, Pa.) was dismissing Gerber as "an inferior product," suggesting that Gerber's approach to the tampering controversy would hurt it seriously and claiming that "it was a dead market until Beech-Nut started its innovations." But this year, Beech-Nut's Jeanne Gumm Goubeaux was a little less aggressive. "We're playing catch-up," she admits. "That's hard to do when someone has that big a market share. But we kept trying." Beech-Nut's share of entire baby food business is about 18.4 percent.

"All I can really tell you," says Goubeaux, "is that last year, when the baby food market seemed to be declining, Beech-Nut's share of the market rose." Goubeaux declined to elaborate when asked how Beech-Nut was performing this year.

It is difficult to gauge the climate at Heinz USA (Pittsburgh, Pa.), which has about 14 percent of the baby food business with its strained and instant forms of baby food. Officials of the company consistently refused to return calls placed by SUPERMARKET BUSINESS.

Happy talk

Gerber, on the other hand, seems to have regained significant composure and confidence, and is almost voluble about its current position. "What we're seeing," says Erber, "is that industry volume is up, due at least partially to modest increases, about 0.5 percent, in the birth rate. That trend is positive, and we expect it to stay that way until 1990. And retail volume has kept pace with the increased birth rate."

Erber says the company's aggressive schedule of new product introductions, not the least of which was Gerber's First Foods— single-ingredient, portion-controlled foods in specially labeled, 2.8-ounce bottles—was a tremendous asset during the past year.

"First Foods played a major role," he says. "We talk to something like 75,000 mothers a year, in malls and focus groups and in various kinds of research settings. First Foods came about because we discovered that mothers wanted portion-controlled, single ingredient foods" that they could serve to babies just starting out on solids.

Nine items were introduced in the line, five vegetables and four fruits. "We also use a special process to make them extra smooth," Erber says. "First Foods are anywhere from three times to six times as smooth as the equivalent variety in regular strained baby foods."

Out-of-stock problems

When the First Foods line was introduced in October 1986, Gerber "underestimated the impact on the marketplace" that the line would have, Erber says. "We ran out of peaches and pears in the First Foods line in May," he says, noting that they should be back in stock by early Fall 1987. "We were getting hundred of calls from mothers who were asking about out-of-stocks," He adds that many of the mothers referred to "those cute little jars." The medium, indeed, may be the message.

Despite the out-of-stocks that plagued Gerber, the First Foods line reportedly earned nine percent of the overall strained baby food business; Gerber's entire line of strained baby food has about 63 percent of the strained baby food business.

Another advance, Erber says, was Gerber's introduction in the Northeast of apple juice and apple/cherry juice in 4.5-ounce plastic containers. It is the unbreakable container that makes the difference in this case, he says: using a plastic bottle while maintaining the concave safety cap that pops when opened was considered by many packaging companies to be impossible. But Gerber developed the technology, and the product is currently in limited distribution with plans afoot to roll it out nationally.

Gerber is also experimenting on the juice front with another form of packaging—750 ml. plastic bottles of apple, apple/cherry and apple/grape juice. Just introduced this summer, these larger sizes are both more economical and "invite consumption by other members of the family," Erber says. In fact, according to Gerber's statistics, eight percent of all baby food products are consumed by non-infants, whether involuntary users who need the products for a variety of medical or dental reasons, or voluntary users like college students who eat them for snacks.

According to Erber, the Gerber company also spent the past year putting increased emphasis on its nonfoods products, working on getting supermarkets to carry broader selections of products like nursing aids, soft goods and toys. "Our strongest category is nursing bottles," Erber says, "with 35 percent of that volume done in supermarkets. One of our weaker categories is playthings, with just 10 percent of that volume in supermarkets.

"We find that there is less and less resistance," Erber says, as supermarkets continue to acknowledge that they can serve the basic needs of mothers. "Babies triple their birth weight in their first year," notes Erber, and almost half of all mothers are shopping for things for their first child." That is, he stresses, a tremendous potential customer base for supermarkets.

Beech-Nut's movement

At Beech-Nut, according to spokesman Goubeaux, juice also played a major role in recent product introductions. "We brought out four juices—pear, apple, apple/cherry and apple/grape—in 32 ounce bottles that are proving to be real popular with parents," she says. The juices, she adds, come in glass, not plastic, bottles.

"And, we continued to improve our Stages line of strained baby food." Goubeaux says that a major emphasis at Beech-Nut is on double-branding, as in bananas being labeled both as Stages and as Chiquita bananas. This year's addition to the double-brand line, she says, was the Stage One Butternut Squash.

Goubeaux says that the coming year will provide "quite a few innovative new products," especially in the strained food category. But for the moment, Beech-Nut isn't ready to talk about them.

Paper chase

If the competition is fierce for what goes into America's babies, it is equally so for the right to take care of what comes out. Hence, the disposable diaper business, which has undergone something of a revolution in the past year or so.

Perhaps it could be listed

under achievements like building a better mousetrap, but in this case, it was a better diaper that has been brought out by all three of the disposable diaper brands. Procter & Gamble Co. (Cincinnati, Ohio) with its Pampers and Luvs lines, which have better than 52 percent of the disposable diaper market, and Kimberly-Clark Corp. (Irving, Texas) with its Huggies, which has about 31 percent of the business—made a major impact with the introduction of thin, super-absorbent disposable diapers.

Industry experts estimate that Procter & Gamble's 52 percent market share is down from 56 percent a year ago; Pampers reportedly has a 38 percent share, up two percent, while Luvs is at 14 percent, down six points. Huggies' 31 percent share is up from 28 percent last year.

These shares are part of an enormous business, a business larger, slightly, than the baby foods category itself. CES figures show that the disposable diaper

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BABY NEEDS

category, which topped the $2 billion mark in grocery sales in 1985 saw steady gains in 1986. Sales increased 2.2 percent overall and 1.9 percent in grocery stores. Sales of the new super-absorbent disposable diapers are expected to push the category higher during 1987.

Pampers was first off the mark in 1985 with its Ultra Pampers line, which promised "to keep baby's skin drier and control pH better than any other diaper tested."

Running a distant second to Pampers was Kimberly-Clark Corp. which, on July 19, 1986, introduced Huggies Super Trim disposable diapers. Research conducted by Kimberly-Clark had indicated that most people equated thickness of diapers with their ability to absorb. "The research was wrong," says Tina Barry, a spokesman for Kimberly-Clark, "in that the percentage of people who did not feel that way was larger than shown."

That may just be a polite way of saying that the company got caught napping, but if so, it was a short nap. By the end of 1986, the entire nation was seeing Huggies Super Trim diapers on their supermarket shelves, and they weren't staying on those shelves for long.

Barry says that at this time, barely a year after they were introduced, Huggies Super Trim diapers account for 65 percent of all the company's disposable diaper sales. Which means, if the research is correct, that three out of every 10 disposable diapers purchased is a Huggies product, that just about two out of every three diapers purchased is the new product, a trend that Barry sums up succinctly: "The market is quickly moving to a near total acceptance of the thinner product," she says.

That does not necessarily mean that the thicker diapers are nearing the end of their days. Barry says, "It's impossible to predict, but we feel that there will always be consumers who prefer the thicker diapers."

Bigger and better

During the past year, Kimberly-Clark also brought out a new, extra-large sized disposable diaper for babies over 33 pounds, designed either for weighty children or those who take slowly to toilet training. "It's a smaller category, but a very profitable one," Barry says. "The extra-large size has been very well received."

The extra-large Huggies were first brought out in the old fashioned, bulky model. "But we've just switched, and now we're only offering it as a Super Trim product," Barry says, denying that the move is a harbinger of things to come throughout the entire line.

Meanwhile, Procter & Gamble's Luvs disposable diapers has been equally aggressive in its marketing strategy. Not only have they made a major switch in the past year, they've made two.

In 1986, Luvs introduced Luvs Super Baby Pants which, according to Procter & Gamble spokesman Teri O'Rorke, "had ultra-absorbent properties and were thinner than the original Luvs." In mid-1987, however, Super Baby Pants were no longer super enough, and Luvs replaced them with Luvs Deluxe, which are advertised as having five significant improvements: a tear-proof taping surface that allows easy re-fastening, ultra-thin padding, a new baby-shaped fit (smaller in front, larger in back), easy fit guides (in the form of "Sesame Street" characters, and five form-fitting gathers that prevent leakage. (Procter & Gamble's Ultra Pampers differ in that they do not have the same shape or the re-fastenable surface.)

According to O'Rorke, Procter & Gamble is taking a different tack with Luvs than it has with Pampers or Kimberly-Clark with Huggies. The old-fashioned Luvs are no longer available. "We're no longer offering the thicker Luvs because people just seem to prefer the thinner product," she says.

And, if the competition in the marketplace isn't enough, Procter & Gamble and Kimberly-Clark are going to court. The maker of Pampers and Luvs has accused Kimberly-Clark with infringing on its patent by making a disposable diaper with an elasticized waistband; Kimberly-Clark has counter-sued alleging that Procter & Gamble is monopolizing the disposable diaper market and is guilty of other anti-trust infractions.

—KEVIN COUPE

GREETING CARDS

Continued from page 181

largest brand of greeting cards overall, with sales in the $300 million range. Bill Marter, vice-president, trade and retail development, also feels that supermarkets are now coming around in terms of space given to the product: "It's a mixed bag. Space used to be a major problem. While supermarkets are still primarily in the food business, of course, and some chains still look at greeting cards as a convenience, most are coming to realize that space given to things like greeting cards is important."

Ambassador is also relying on a variety of new lines to keep interest in the category fresh. Their alternative card lines, "My Thoughts Exactly" and "In Other Words," both introduced in 1985, continued to do well last year, says Marter. "In Other Words" is placed in the racks alongside Ambassador's other cards, while "My Thoughts Exactly" is merchandised in a special section all its own. For Christmas 1987, Ambassador is introducing a 32-design seasonal version of "My Thoughts Exactly," featuring non-traditional verses and a variety of art styles, including whimsical drawings and high-style photography.

Along with the continued success of their card lines, related items like gift-wrap also did well for Ambassador in 1986. Ambassador introduced "Color Plan Plus," a different way of merchandising gift-wrap, that Marter says is the opposite of how the company usually merchandises its cards. That is to say, occasion takes a back seat to color and style.

Marter describes "Color Plan Plus" this way: "Through our research we have found that customers, when looking for gift-wrap, for a wedding gift, let's say, don't necessarily look for paper packaged especially for weddings. They look more at color. Maybe their friend's favorite color is blue, so that's what they look for. Or for a baby shower, they look for pink or blue or yellow paper. So we've arranged our gift-wrap according to color and sales have increased."

In the gift-wrap area, Ambassador has also introduced the Kids Center, a one-stop merchandising center for juvenile gift-wrap. Included among the center's offerings is age-specific wrapping paper for a child's first through fifth birthdays, complete with the appropriate number from one to five and a varying teddy bear motif. Other juvenile designs feature licensed properties like Peanuts, Crayola crayons and Heathcliff.

Ambassador also has new products for those who wish to jot down an original thought or two. This year they are introducing new note card promotions: Sneak-A-Peak Notes, featuring six designs with die-cut windows and coordinating envelopes, and Luminescence Notes, which offer eight contemporary designs utilizing laser photography, intense colors and foil stamp accents.

But the greeting card companies' efforts to dazzle supermarket shoppers, not to mention general merchandise buyers, with a wide array of products and eye-catching fixtures, and the retailer's willingness to devote increasing amounts of space and a quality location to a desirable product are essentially the result, not the cause, of the rise in supermarket sales. The feeling in the greeting card industry is that sales continue to improve because, of all the various retail outlets for greeting cards, the supermarket is where the traditional purchasers of greeting cards, women, are most likely to be found on any regular basis.

Says American Greetings's Jeff Jones, "Ninety-two percent of greeting cards are purchased by women. Of all retail channels for greeting cards, the only one where visits per month are increasing is the supermarket, where you have a large female customer base."

Likewise Gibson Greetings's Peter Shapleigh states: "Women shoppers, the basic market for greeting cards, are in the supermarket as often as three and a half times a week." He notes that, in the supermarket, at least, "greeting cards are an impulse item. Once the shopper sees them, she'll buy."

—KAREN L. JONES

BEER

Even Anheuser-Busch is intrigued by Corona's success, and is promoting Anheuser solely through word of mouth in several test markets.

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imported beer in the U.S., is more willing to talk. Kathleen Fogarty, spokesman for the company, points out that the company has enjoyed strong growth— better than 12 percent in 1986—and that a new advertising campaign to broaden the beer's consumer base is being prepared.

"We've really expanded, and are now in 46 states," she says, noting that Labatt's Blue and Blue Light are currently being touted with the slogan, "Blue Heaven." The company is also bringing Schooner Beer, another Labatt's product, into the New England area, and will soon be giving more marketing support to Labatt's 50 Ale.

Ray Hyde, spokesman for Guinness Import Co. (Stamford, Conn.) concurs with the notion that European-style beers such as those his company brings into the U.S.—including Guinness, Bass, Harp and Kronenbourg— are not likely to be too hurt by Corona's popularity.

"Frankly, I think Corona is perceived as a domestic beer," he says. "If you look at the drinkers of European beers, you see someone who likes a heavier beer, something with a little bite. Corona is really formulated to American tastes, and I don't mean that as a negative. But it's really for the Budweiser drinker or the Miller drinker who wants to drink something with a little panache."

Beer from down under

If there is an imported beer other than Corona that is getting some significant attention, it must be Foster's Lager, from Australia. Sold in television commercials by Paul "Crocodile Dundee" Hogan, Foster's has seen some strong growth in 1986—better than 30 percent, by some estimates—and even more is expected from the brand in 1987.

"I think we also have a certain image and mystique that is working for our beer," says Steve Hauser, marketing manager for All Brands Importers (Avon, Conn.). "Our business has benefited from the fact that we've had a loyal consumer base, people who have been drinking Foster's for the 10 or 12 years that it has been in the U.S. They're true beer drinkers, they recognize Foster's for what it is. Our incremental increases are now coming from new users coming into the fold."

Hauser notes that All Brands Importers has recently brought a new product, Clausthaler, a non-alcoholic German beer, to the U.S., to do battle with non-alcoholic import leader Moussy. "It's the leading non-alcoholic beer in Germany, and we're really excited about it," he says.

Near beer

According to Ray Hyde of Guinness Import Co., which brings non-alcoholic Kaliber to the U.S., that brand also continues to do well. "It was up 400 percent in 1986 over 1985, but you have to remember that in 1985 it was just in limited markets. The category itself is not doing as well as expected, growing only 11 percent as opposed to the 40 percent growth that was anticipated."

Moussy has gone through its own share of changes, with distribution being shifted from White Rock Co. to Labatt Importing. Spokesman Fogarty of Labatt says that her company is attempting to reposition the brand by comparing it to Heinekin and Becks', not to other non-alcoholic malt beverages.

"We're not allowed to use the word beer in our name and advertising, so we're trying to position it as a beer product, just minus the alcohol. We want beer drinkers to see it as an alternative, and the ads capitalize on that. We've stabilized the sales force, we've got some new packaging that's not yet available, and we're getting good responses to our advertising. It's too soon to tell, but sales for the summer seem to be good."

Home on the range

Meanwhile, in the domestic beer segment, which according to CES figures grew 4.2 percent in grocery sales, Anheuser-Busch continues its domination of the business, further increasing its lead over every other brewer.

The top 10 brands in 1986 were once again topped by Budweiser, with 26 percent of the market, up 0.9 percent from its 1985 market share of 25.1. Miller Lite also continued to perform strongly, with a 10.4 percent market share, up 0.1 percent from 1985. Miller High Life continued its decline, down 1.1 percent to a six percent market share in 1986. Coors was also down some, coming in with a 4.3 percent market share, down 0.4 percent from 1985's 4.7 percent market share. And Old Milwaukee remained in its fifth-place position, with a 3.9 percent market share—exactly what it had in 1985.

There was, however, some shifting about in the bottom half of the top ten brands. Coors Light went from seventh to sixth, with a 3.8 percent market share. Bud Light went from tenth to seventh, with a 3.6 percent market share. Busch beer went from ninth to eighth, with a 3.6 percent market share. Michelob and Stroh's, however, dropped, the former from sixth to ninth with a 3.2 percent market share, and the latter from eighth to tenth, with a 2.9 percent market share.

Top gun

As a brewery, Anheuser-Busch also was dominant, with 38.6 percent of the market, compared to 37.2 percent in 1985. Miller remained in second place with 20.7 percent, up slightly from 20.3 percent. Stroh was third, with 12.2 percent, down from 12.8 percent in 1985. G. Heileman Brewing Co. (La Crosse, Wis.) had 8.6 percent of the market, down from 8.9 percent in 1985, while the position that Coors (Golden, Colo.) has remained even at 8.1 percent.

For the Miller Brewing Co. (Milwaukee), a positive distraction from the decline of its flagship brand had to be the strong performance of Miller Genuine Draft. Steven E. Forsyth, a spokesman for the company, says that "the two brands together exceeded what Miller High Life used to do alone. And they're both in the premium segment, so the bottom line is good."

Reports that Miller High Life would be dropped in favor of Genuine Draft are untrue, Forsyth says. "Miller High Life is still the third largest selling beer in the U.S., and it should not be ignored by anyone." While most of the company's marketing support has been shifted to the new product, that is standard for an introductory brand, he says.

Asked whether Corona could be making any inroads on Miller's turf, Forsyth says, "It makes sense that it could, but I don't know if it can be documented. I haven't seen any research that says that they are hurting us."

One of Miller's other new products for 1986 did not fare as well as Genuine Draft. Dakota Wheat Brewed Beer, tested starting in October in five cities, was pulled from distribution in February. "We're looking at everything from the name to the product itself," says Sue Henderson, a Miller spokesman. "We will continue to test it, and we are committed to bringing out a wheat-brewed beer."

Packing up

Stroh Brewery Co. (Detroit) managed to generate some new business this past year, according to spokesman Lacey Logan, by changing its presentation. New packaging featuring 15 cans and 30 cans—sold at prices charged for 12-packs and 24-packs—found "great consumer acceptance," she says. "We're all looking for facings, and this was originally supposed to be a limited promotion. But now we've decided it's going to be an annual event."

And, in the Rocky Mountains, Joe Fuentes, a spokesman for Adolph Coors Co. says that the past year was a positive one for his company, what with the "on fire" performance of Coors Light and the expansion of Coors into New York and New Jersey.

Coors also improved its distribution system during the past year by opening a new brewery in the Shenandoah Valley in Virginia. The only thing this hurt was the traditional Coors label: no longer can Coors be referred to as having been made with Rocky Mountain Spring Water. Now, it's just Mountain Spring Water.

In addition, Fuentes says, Killian's Red Ale, another Coors product (and another beer, coincidentally, given a plug in Robert B. Parker's *Pale Kings and Princes*) is "about steady," and is not yet a national brand.

Little guys

Not too far from Golden, Colo., in Boulder, is yet another of America's micro-breweries. Boulder Brewing Co., which has gained some small acceptance in that region.

Skip Miller, president of Boulder Brewing Co., says, "We've had good growth, but we have a long way to go. When we built this brewery, we made a fairly sizeable investment for a start-up company." To date, Boulder brews a Pale Ale, Sport (a lager), a Stout and a Porter. And although they would appear to have much in common, Miller says his operation is very different from that of Jim Koch's Samuel Adams.

"The money we spent on machinery in the beginning, Jim Koch spent on marketing," he says. (Samuel Adams Boston Lager is, in fact, brewed by what is called a "contract brewery" in Pittsburgh.) "We're playing more of a ground game and doing financially only what we can do. In the 1980s, it's not easy to put a brewery on the planet. The world isn't exactly waiting for another beer. But we're going to make it."

For now, he says, the company has distributors in select locations around the country. "If you seek out Boulder Beer, you'll find it." That's about it, but it's enough for Miller. For him, the beer business isn't big business. It's just an exciting business.

Whatever his differences with Boulder's Miller, Jim Koch, for one, agrees that the beer business is full of possibilities. This fall, he begins distribution of Samuel Adams Festival Lager, a new product that he describes as "paler, a little more heavily hopped, drier and less malty" than Samuel Adams Special Lager. The new brew, which also won a gold medal at this year's Great American Beer Festival, will be first brought out in Boston, and will see its distribution "expanded a lot more quickly than regular Sam Adams," according to Koch.

Which means that if Koch's luck continues, by the time Spenser makes next summer's best-seller lists, he'll be drinking Samuel Adams Festival Lager.

—BY KEVIN COUPE

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DAIRY

Dairy departments have become something of a catch-all for other refrigerated products—everything from salad dressings to dough.

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but CES figures show gains in almost all categories. Grocery store purchases of yogurt, the fastest-growing category, were up 6.1 percent to $1.97 billion; cheese purchases were up 3.2 percent to $4.2 billion; egg purchases were up 5.0 percent to $1.7 billion; and butter purchases were up 1.2 percent to $890 million. The only loser was margarine, dropping 3.9 percent to $1.6 billion. The mainstay of the category, and the principle reason that dairy did well in 1986, was milk, where total home consumption rose 2.0 percent to $10.5 billion.

Some developments in milk are worth mentioning. One, which has managed to keep total consumption up, is that many people are trading down from milk with two percent milkfat to milk with one percent, much as they did several years ago from whole milk to two percent milk. Meanwhile, milk prices overall have remained stable, according to Jim Rourke, a dairy products marketing specialist with the U.S. Department of Agriculture (USDA). This fall, says Rourke, there may be some seasonal wholesale price increases. "But this might not be passed down to retail."

Rourke also sees processors spending less money on advertising that touts the advantages of milk's calcium content. "They're better off pushing milk as a beverage."

New products

Milk has a lot of stiff competition in the beverage category. But research is now being conducted in carbonated and flavored products.

Mary Payne, a spokesman for Dairy Research (Rosemont, Ill.), an affiliate of the American Dairy Association, says there is now a process to carbonate skim milk. "We're looking at a whole range of flavors including colas, fruit, mint, and pina colada. We have the process, but it has not yet been consumer tested."

Another innovation in the works is a new process for taking fat and cholesterol out of milk, and making it taste better than skim milk.

One product, popular in many countries but with no significant demand in the U.S., is aseptic milk. The reason for this is the U.S.'s efficiency in refrigerated transport unparalleled in the world. Also, American refrigerators are *much* larger than those elsewhere.

"Aseptic milk has good potential in the military and foodservice markets, but we don't see it capturing a big share here," Payne says. "It's not selling as strongly as some people thought it would," adds Kitty McHugh, a spokesman for the National Dairy Board (Arlington, Va.). "The plain product has a slight cooked taste. Flavored products might be more popular for children."

One retailer, whose dairy case is busting at the seams, feels that nonrefrigerated milk makes a lot of sense. "But I'm not sure housewives will accept nonrefrigerated milk, although processing techniques are getting better and there is less of a burnt taste to the product. We thought about it for private label, so we tested it. It's not bad. But I'm not sure consumers are ready for it," he says.

Borden's Rutan points out that his company has had a project under development for a couple of years, "but I don't know if it will see the light of day. No one has solved the taste problem."

Butter is back

Butter has shown a fairly significant increase in consumption of late, up 1.2 percent in grocery store sales in 1986, according to CES figures. "This is an indication that butter is turning around," says McHugh. She surmised that the increased usage could be due to more aggressive coupon efforts by manufacturers, or greater use of the category in the foodservice department.

"Butter has gotten a bad rap because of the cholesterol issue. Also, people are eating margarine and they are finding it is not any lower in calories," she notes.

The National Dairy Association is continuing to address the issue of calories with its "Give 'Em All a Little Pat of Butter" campaign.

Payne feels that butter is holding its own in the dairy category and hopes the development of products that taste like butter, but which are lower in cholesterol and more affordable, will spur demand for the

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product. One of the products under development now is a butter that is spreadable at refrigerated temperature. Furthermore, the product has only five-eighths the calories and fat of regular butter. However, Payne adds, there is a catch. The product can only be used as a topping and not in cooking.

Higher cheese consumption

One of the other staples in the dairy case— cheese—has had its ups and downs. But industry observers generally agree the category is on an upward trend. CES figures for 1986 show that total purchases in 1986 were up 3.2 percent in grocery stores.

This year's gain, according to some industry analysts is primarily attributable to the increased popularity of the American cheeses, notably colby, cheddar and jack.

Rourke believes that several factors contribute to higher consumption of cheese. The first comes under the heading of promotion. "There is as much spending on cheese as there is on fluid milk advertising. Also, retail prices have been relatively stable, and wholesale prices are down due to government support programs."

The third factor contributing to the popularity of cheese, says Rourke, is the pizza business. "It has increased tremendously, particularly with the influx of Domino's and others that concentrate on home delivery."

At the retail level, cheese has taken on a life of its own over the past several years. Even smaller operators have put in cheese cases that sport some fairly exotic varieties. Retailers are reporting some fairly strong volume from these sections. However, it has not been to the detriment of processed cheeses. "We are selling a lot of value-added products such as the shredded and extruded cheeses," says one retailer, adding that the dairy case is still responsible for the bulk of the cheese sales.

Robert Bremers of Viand Brokerage (Louisville, Colo.) says that with expanded selection, the potential for sales growth of cheeses in the deli section is tremendous. And retailers who are willing to make a commitment to both selection and service could easily double their volume in the category.

Some supermarkets, he notes, are devoting more space to cheeses. But many franchise operators have no uniform cheese program in the deli.

One problem is the lack of good cheese education, Bremers says, adding that Viand is developing an informational system to assist both the store employee and customer. One of these programs is the Cheese Wizard, an interactive kiosk that offers information on various lines. The company has also put together a handbook for each store that Viand services. The handbook gives employees information such as nutritional data on various lines. One of the problems here, says Bremers, is that some manufacturers have trouble answering questions about their own products.

Bremers feels that a service cheese island, manned with three people, has been very profitable for stores over 60,000 square feet in size. This setup not only allows for an efficient cutting and wrapping procedure, but also lets customers have personal contact with someone who knows about the products.

Self-service sections for bulk cheeses are fine for such well-known items as colby, jack and cheddar, says Bremers, "but for specialty products you have to educate the consumer."

Bremers also understands the supermarket's reluctance to stock perishable exotic cheeses. One trend that will work to the industry's advantage, however, is that some more specialty items are being produced domestically. Many foreign manufacturers are purchasing factories in the U.S. and the pace of their acquisitions is likely to continue for the next 10 years. This trend holds several advantages for retailers, says Bremers. Manufacturers will have a strong product made in the U.S., a good promotional angle, better distribution that will improve the shelf life of the products, and stable pricing because they will no longer have to deal with wild fluctuations in the value of the dollar.

Reigning star

More dairy products and better dairy products only put more pressure on the dairy case. And nowhere is this more true than in the yogurt category. Over 100 different brands are on the market right now, with more to come.

"We expect the popularity of yogurt to grow as current users enjoy new products and the number of Americans who don't use it become more familiar with it," says Barbara Beck, a spokesman for Dannon (White Plains, N.Y.). Noting that Dannon's advertising budget in 1987 is considerably higher than last year, she emphasizes that approximately 60 percent of consumers are not frequent yogurt users and this presents a tremendous marketing opportunity for the industry.

Although Beck feels that the number of new entries in the category are slowing down, companies such as Dannon and General Mills, which markets Yoplait, will continue to introduce new products aggressively.

At Dannon, this strategy led to Dan 'Up, a drinkable yogurt that was introduced in the Washington, D.C./Baltimore test market in August of 1986. Last May, distribution was expanded to five cities: New York, Philadelphia, Detroit, Chicago and Los Angeles.

Last spring, the company added strawberry, raspberry, strawberry-banana and banana to its Fresh Flavors brand. This is a product that is made with real fruit juice and has 25 percent less sugar than regular

DAIRY

Despite uneven performances over the past few years, cheese is back, say industry experts, with American varieties leading the pack.

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DAIRY

yogurts with fruit. Another positive aspect to the product, says Beck, is that it has 10 percent more of the USDA's recommended daily allowance of calcium.

In what industry observers say is another effort by Dannon to position yogurt as a snack food, the company introduced its six-count mini-packs. The item, which made its debut in July, comes in eight flavors. Two of these are the extra smooth variety in which the fruit and yogurt are combined. All of these products will be supported by heavy television and print advertising.

Kellogg Co. (Battle Creek, Mich.) will also be concentrating on promotional activity this year. "There will be a lot of coupons and freestanding inserts," a spokesman says.

The company would not discuss its marketing strategy for Whitney's in detail. However, it will continue to focus its efforts in markets where the product is already sold. Kellogg plans to hold the line on new flavors and concentrate on the 15 now on the market.

Dean Foods (Franklin Park, Ill.) is taking a different tack with new flavors and new products.

"Yogurt is still a growth market, and as people become better educated about it, we expect consumption to go up," says Dick Pictor, northern division dairy manager .

Dean recently introduced Yogurt to Go, an entry in the drinkable category. "We brought it out in April and it has been well received," says Pictor. "Sales are up over our expectations."

At this point the product is in limited distribution, available only in Indiana, Illinois, Wisconsin and parts of Iowa. Marketing areas will be expanded, says Pictor, but where and when have not yet been determined.

—LEN LEWIS

DELI

Continued from page 166

cent of those responding to the INSTORE BUSINESS survey use point-of purchase advertising to highlight their delis.

The FMI/Campbell study goes on to examine how people perceive the supermarket take-out department versus other places that sell take out foods.

When people are asked, on an unaided basis, to name the places that come to mind when they think of places to buy take-out food, the study says, only "two out of 10 people, 18 percent," mention supermarkets. When people are at a supermarket, however, they are more likely to think of buying its take-out food.

Of course, selling take-out food is only one function of a service deli, but its importance is growing. And, in addition to expanding their promotions of what their service delis offer, more supermarkets are expanding their lines to include more sophisticated fare.

Sophisticated fare

On the whole, instores are becoming more sophisticated in what they offer, as shoppers become more daring in what they will try. "We were convinced that there are people out there willing to pay for unusual items, willing to pay for quality," says Larry's Markets' Nancy Lazaro. "That was why I was hired. I've been with Larry's for two years; I'm actually a Cordon Bleu-trained chef. The deli service had been pretty conventional before I came on, with stuff like corn dogs, roast chicken and that sort of thing. Larry McKinney [president of Larry's Markets] felt that more specialty foods was the wave of the future. It was, really, just a commitment to providing a better product."

Retailers do not consider their instore delis as merely image builders or as profit centers, but both: a synergistic service department that helps the whole store.

While only 18.8 percent of store customers make purchases from the deli (down from 20.2 percent the year before), perhaps the growth of restaurants, truly high-quality fast food establishments, has led to an upsurge in deli profits.

The service deli led the pack in largest volume increase in dollar sales. While it accounts for just 2.37 percent of a store's volume, its dollar sales increased by 13.5 percent, ahead of coffee and beer. So convenience—and freshness—could mark a continued trend toward stronger deli sales.

—BOB HUGHES

CANNED GOODS

"We want to show people how to do exciting, creative things with canned foods," says an industry spokesman.

Continued from page 153

last couple of years canned fruits have been up—they were headed down. Canned vegetables are up and steady, and they were headed straight down. Canned meats and canned fish have improved some this year. So apparently our work has been paying off."

In fact, SUPERMARKET BUSINESS's 40th Annual Consumer Expenditure Study (CES) does indeed show some bright spots in the canned food aisle. Sales of canned fruits in grocery stores increased 4.1 percent, to $1.55 billion, in 1986. Sales of canned vegetables actually dipped a bit—by 1.4 percent in grocery stores, to $3.0 billion, erasing gains made in 1985.

Sales of canned and dry soup increased 3.5 percent in grocery stores, to $2.11 billion. This is slower growth than last year when sales increased 8.8 percent, but still respectable.

Canned meats are down, but canned fish are up, following the same pattern in 1986 that they followed in 1985. This seems to reflect the broader consumer shift toward foods perceived to be lighter in fats and cholesterol such as poultry and fish.

As for canned fish, "The industry's been very healthy over the past three to four years," says Ned Roache, executive vice president for sales and marketing of Bumble Bee Seafoods (San Diego). He feels that tuna in particular has benefited from the consumer's search for health and convenience. Not only does it benefit from the flight away from red meat, but also, as he says, "tuna's easy to fix as a sandwich or a salad."

Canned fruits also seem to be benefiting from the move to lighter foods. Tom Elliott, general manager of the Pacific Coast Canned Pear Service (San Francisco), attributes the gains he's seen to increased promotional efforts, both by retailers and by the CFIC. Elliot also gives credit to producers who are packing fruits in juice rather than heavy syrup, which he feels appeals to young mothers and others interested in nutrition. Sales of canned pears, a product that is more frequently packed in juice now, were up 6.8 percent in grocery stores last year.

A very bright spot in the canned food aisle is canned prepared food— especially chili, Mexican and oriental food, and pasta. The canned prepared food category grew by 7.2 percent in grocery stores, to $1.56 billion. The appeal here is obviously the change of pace provided by ethnic foods.

Rich Crane, group product marketing manager at Hormel (Austin, Minn.), says that "Chili is one of our bright spots. We've had several years in a row on chili that have been plus."

Meat stew has not been doing as well as chili. The category was down 0.8 percent in grocery stores in 1986 and products like Hormel's Dinty Moore, have been "relatively flat," according to Crane.

Even in canned meats, Crane reports, Hormel has been doing well by increasing market share in a declining market. "It has been a great two or three years for us," he says. "Some of the weaker companies are losing share to us, but I guess when you have some strength, you can build upon it, and we're having luck in doing that right now."

Hormel is being helped by the fact that this year is the fiftieth anniversary of the introduction of Spam. Hormel has been running a major public relations campaign, with advertising support, to tell the story of Spam. Hormel has modernized the logo, gone to an easy-opening can, and even introduced a version of Spam with lower salt. Crane concedes there's only so much that Spam can do to join the "flight to light," but meanwhile, Hormel is showing people how to make money in a declining market.

It seems that where canned goods are showing improvement is where they meet consumer demands for health and convenience. One of the basic strategies of the CFIC, therefore, is to talk about how healthy canned foods are.

"We've been trying to dispel some of the myths about canned foods," says Roger Coleman of the National Food Processors Association, "like, for example, that they're less nutritious than fresh or frozen. And fortunately we have the research to support that. Under a grant from the United States Department of Agriculture (USDA) we've done some work in our laboratories which for the first time compared fresh, frozen, and canned goods as they were prepared in the home and delivered to the table. If anything, the protocol that we had to go by, dictated to us by USDA, favored the fresh

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CANNED GOODS

A bright spot in the canned food aisle is canned prepared food—especially chili, Mexican and oriental food as well as pasta.

and frozen over the canned. Nonetheless, for the major nutrients, the canned foods looked great."

At the Campbell Soup Company, Donald Goerke has also taken to the offensive on the nutrition front. "Soup is good food," as the company's advertising says. Beyond that, notes Goerke, "It's a good source of fiber. Many of our soups have as much fiber as cereals do, while people normally think that cereal is the only place you can get fiber. So we're presenting that fact, and we're presenting that all of our soups are low in fat and cholesterol, and that a lot of our soups have vitamin A."

The message seems to be getting through. Julie O'Rourke, a spokesman for the CFIC, notes that one of the council's activities is to take food editors from consumer magazines on a tour of a corn canning plant in Wisconsin. Weather permitting, the trip includes a tour of the fields as well as the plant. "We really get some converts," says O'Rourke. "Skeptics come off the plane, and converts go on."

Positioning is one thing, but then, of course, there's segmentation, and the CFIC also has some interesting ideas as to who should be buying all these healthy foods.

The traditional consumer of canned foods, says Roger Coleman of the National Food Processors Association, tends to be in a traditional family, possibly in a small town, who is accustomed to sitting down to major meals. "We don't want to lose the traditional ones," says Coleman. After all, canned vegetables are a $3 billion business, even if sales are declining.

But, as Coleman says, "Why preach to the converted?" So, says Coleman, "The CFIC has targeted the more urban and urbane, higher-educated shopper who has, we think, heretofore had a misimpression about some of the attributes of canned foods."

In other words, yuppies, who have money, and who want elegant food. But they have no time. So the CFIC's advertisements, and its cookbook, and the sample recipes it sends out to food editors all emphasize elegant food that's easy to prepare. Just open a can.

Says Coleman, "We want to show people how to do exciting, creative things with canned foods, and we want them to know that they can be just as innovative with these products as with other forms—more so when the others are out of season."

Try it . . .

Another angle the CFIC is working on is to use the acceptance of some categories to generate trials of other categories—in O'Rourke's words, "to get the people to take the step from using tuna fish and tomatoes to actually opening a can of green beans or peas or some of the other things that they may not have tried that are perfectly good."

This may be something of an uphill battle. After all, canned asparagus don't taste like fresh asparagus. On the other hand, canned asparagus sales rose 3.6 percent in grocery stores last year, while the canned vegetable category was declining 1.4 percent.

New technology can help with some of these issues. The Veri-Green process, from Continental Can, is an example. Essentially, this is a canning process that keeps more of the chlorophyl in the vegetable, resulting in a greener mound of spinach on Junior's plate. The Veri Green process has been used for about three years for both green beans and spinach. However, as Maury Corp of Continental Can says, "It's for a niche market." That's because the price of products that make use of the Veri-Green process cost more, and some people don't care to pay the extra money. Yuppies, however, don't care about money. They care about color—about elegance.

On the other hand, while canners pursue the yuppie segment, they very much do not want to lose their traditional segment—and those folks do care about money.

Everybody, however, cares about convenience, and convenience of shopping in the store is a major part of the overall concept. Just finding things in today's large stores can be a problem, and nowhere is this more true than in the soup section. Says Campbell's Goerke, "The general feeling you get from consumers is that, 'It's hard to find the soup I want.' " Goerke's surveys show that the average shopping time is down to 23 minutes, "so they're not spending much time in front of any section. If shoppers don't find what they want in a pretty good shake, they're not going to buy it."

Campbell's response to this problem is the Soupmax shelf management system, which reorganizes and flags the soup section according to such categories as chicken, cooking, vegetable, beef, specialty, giant soups, and chunky. Both consumers and grocers seem to like the system, with 100 percent of grocers surveyed calling the system "ideal."

Goerke emphasizes that the system is planned to be good for everybody, not just Campbell, but also other soup manufacturers, grocers, and the consumer. It stands to reason. After all, if it's easier for the shopper to find the product, more product is going to be sold, and that generates not only customer satisfaction, but also retailer and manufacturer satisfaction.

However, better shelf arrangements don't help if the customer doesn't walk down the aisle, and that's where Canned Food Month comes in. Roger Coleman of the National Food Processors Association admits that last year's promotion, the first, had a straggly start. "We were off to a late start last year, and we went ahead purposely because we wanted to get the experience under our belts. I think we're ahead of the game for Canned Food Month '88."

That would be good news for retailers— some retailers that participated in the promotion experienced 30 percent sales gains on the canned food aisle last February.

—WILLIAM K. WEST

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Continued from page 216

uct called Protochol, and they were spending large sums of mony to advertise it and promote it," says Barry Drucker, senior vice president of Nature's Bounty. "We, as well as other companies, came out with a product at a much lower price, so that the consumer had an opportunity to save a lot of money and get the same type of product. But sales seem to have tailed off."

Calcium solidifies

Drucker adds that while "calcium has been a very very good area for a couple of years," growth rates have ossified, leaving the field with an oversupply of manufacturers. "I would say that sales have leveled out, at this point. And that leveled-off market is now being split up between more and more companies."

The category, launched with Marion Laboratories' (Kansas City) Os-Cal, was soon crowded as Caltrate (Lederle Laboratories, a division of American Cyanamid Corp., Wayne, N.J.), Posture (Ayerst Laboratories, a division of American Home Products, New York), Suplical (Warner-Lambert), and BioCal (Miles Laboratories, Elkhart, Ind.) were joined by dozens of competing products in 1985 and 1986.

Fish oil may be next to expand from the vitamin section. Product Resource International (New York) has come up with a substance called Omega Whip, a flavored topping said to be rich in Omega-3 fatty acids. The National Fishmeal & Oil Association (Washington, D.C.) is hoping to get Food & Drug Administration (FDA) approval to put fish oil in cooking oils and margarines.

Continued segmentation

Miles Laboratories, which pioneered the multiple vitamin with its One-a-Day brand in 1943 and developed the concept of recommended daily allowances before the government got involved, also introduced the vitamin category's first "targeted" vitamins, for children and women. Chocks for children was introduced in 1959, and One-a-Day Plus Iron debuted about a decade after research began in 1955.

Vitamin manufacturers have been trying to reach ever-more specific niche audiences with targeted products ever since, some with daily packets with a variety of pills. Vita-Fresh, a manufacturer of both private labels and advertised brands, markets packets and pills geared for executives, athletes, and people on the go. Others have marketed products specifically designed to counter the effects of premenstrual syndrome.

Bristol-Myers's Mead-Johnson division (Evansville, Ill.) is hoping to boost sales of its Poly Vi-Sol circus-shaped chewables by getting retailers to merchandise them with Poly Vi-Sol infants' drops. Miles, meanwhile, is benefitting as one of the few character-shaped vitamin manufacturers, with its Flintstone and Bugs Bunny lines.

"There was a flurry of new character shapes in the children's category, where Smurfs and a lot of the fad characters were introduced into the marketplace," says one Miles spokesman. "Most of those brands have declined steadily, and really are no longer a factor in the market. [Lederle Laboratory's] Centrum Jr., which was introduced in 1982, is one of the few remaining."

Sustained advertising support and their own enduring personas helped Fred Flintstone and Bugs Bunny survive the shakeout. "Our competitors used short-term, fad-type characters," the spokesman says. "Our characters were well-known, and had longevity. And better taste—taste is a key issue for the category."

But if taste and character longevity will always attract a segment of parents buying chewables, the segment attracted to generics still seems to be growing.

"Children's chewables are the biggest category, and the strongest growing category right now," says Randall's Crawford.

The pharmacist is key

Supermarkets are nibbling a growing piece of the total vitamin pie, thanks largely to instore pharmacies. The increase in share isn't spectacular, but CES figures show supermarket sales growth (4.3 percent) edging past the growth of the vitamins industry as a whole (3.6 percent).

"One of the main reasons supermarkets enter the pharmacy business is to increase their over-the-counter and HBA sales," said William R. Bales Jr., president of McKesson's supermarket services division, in an address at the Food Marketing Institute show in Chicago this past May. "In supermarkets with pharmacies, sales in these two categories increase 20 to 40 percent."

Bales acknowledged that the same study indicated that supermarkets with instore pharmacies carry 40 percent more HBA shelf-keeping units (SKUs) than stores without pharmacies, and that the average instore pharmacy takes a little under two years to break even. But he cited research indicating that almost all supermarket companies that now run pharmacies, and one-third of those who do not, plan to open pharmacies in the next two years.

Publix recently added its tenth 56,000 square-foot Food & Pharmacy combo store to its existing collection of 317 super stores, which range in size from under 25,000 to over 40,000 square feet. With the heavier emphasis on nonfoods, the vitamins category was a natural candidate for expansion. "There's more space—we're able to use more vitamin companies, and offer a wider selection to the consumer," Publix's Hollis says. Like most retailers, the best place to display vitamins is along or adjacent to the pharmacy counter.

But if merchandising is important, the pharmacist is key. "He's got to be very customer-oriented," Randall's Crawford says. "Very pleasant, very personable. The consumer," he adds, "has a doctor-patient relationship with the pharmacist, and they go to him for a lot of information. They have questions, and whatever he tells them is gospel. His influence, not just for vitamins but for the whole HBA category, is of a scale where it can impact your distribution greatly."

— FRANK HAMMEL

VITAMINS

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GENERAL MERCHANDISE

Two rules for strong GM sales: get into video sales and rental, and make sure a qualified person has sole responsibility for the department.

Continued from page 176

want to tell them that they have to go to the cereal department to get them.

"General merchandise is really exciting to me," he adds. "We brought 600 stacking chairs that we got for $2.50 apiece, and we blew them out at $2.99. Everyone else was selling them for $3.59. It was great."

Tom Hornacek, co-owner of Pinny Food Center (Pinconning, Mich.) is another retailer using the Ben Franklin system as a source for his nonfoods. (He uses them as a back-up to Spartan Stores, his main supplier.) "We got involved with Ben Franklin when their store in town closed and they were looking for another outlet," Hornacek says. "It seems to be working out."

Burning up

Among the hotter general merchandise items for Hornacek during the past year has been a Sunbeam portable gas grill that gets its fuel from a propane cylinder and sells for $19.95. "We've sold about 150 of them," Hornacek says. "They've just taken off. We've probably lost some charcoal sales, but those propane cylinders have just been flying out of here. We must be going through five cases a week, and we didn't used to sell two pieces a week.

"We've also done well with silk hanging baskets that retail for $12 and $19, with a regular retail upwards of $29," he says. "We've reordered three times, and it is one of the hottest categories we have. It's also proven to us that we can sell a $20 item if it looks right and is at a good price."

Hornacek says that video rentals—often claimed as a foundation for any store's successful nonfoods business—have been waning in recent months. "We're two years into that business, and we found that during the first two years, people came in and rented a lot of tapes because they wanted to see movies they hadn't seen in years. Now, they are all caught up and they're just interested in new releases."

Hornacek's solution was to reduce his price from $3 for two days to 99 cents a day, and make sure there are lots of kids tapes available. "Since we did, it's really taken off again," he says.

Tapping into tapes

Customers at Pinny Food Center seem to have been trading up when it comes to videocassette recorders, Hornacek says, enough so that the store just became an authorized dealer for Panasonic. Indeed, VCRs, if properly merchandised, can provide a lot of sales activity for the industrious retailer.

For example, Ted Jordan, store director of Oak Tree Shop-Rite (Edison, N.J.). "We sold 500 VCRs last Christmas alone, and will probably sell 1,200 all this year," he says. "They aren't that big a profit item, but if they are on sale, we do a tremendous business with them. We also sell a tremendous number of blank videotapes, and stock 15 different varieties and prices. And we price them very attractively, so we get a lot of repeat customers."

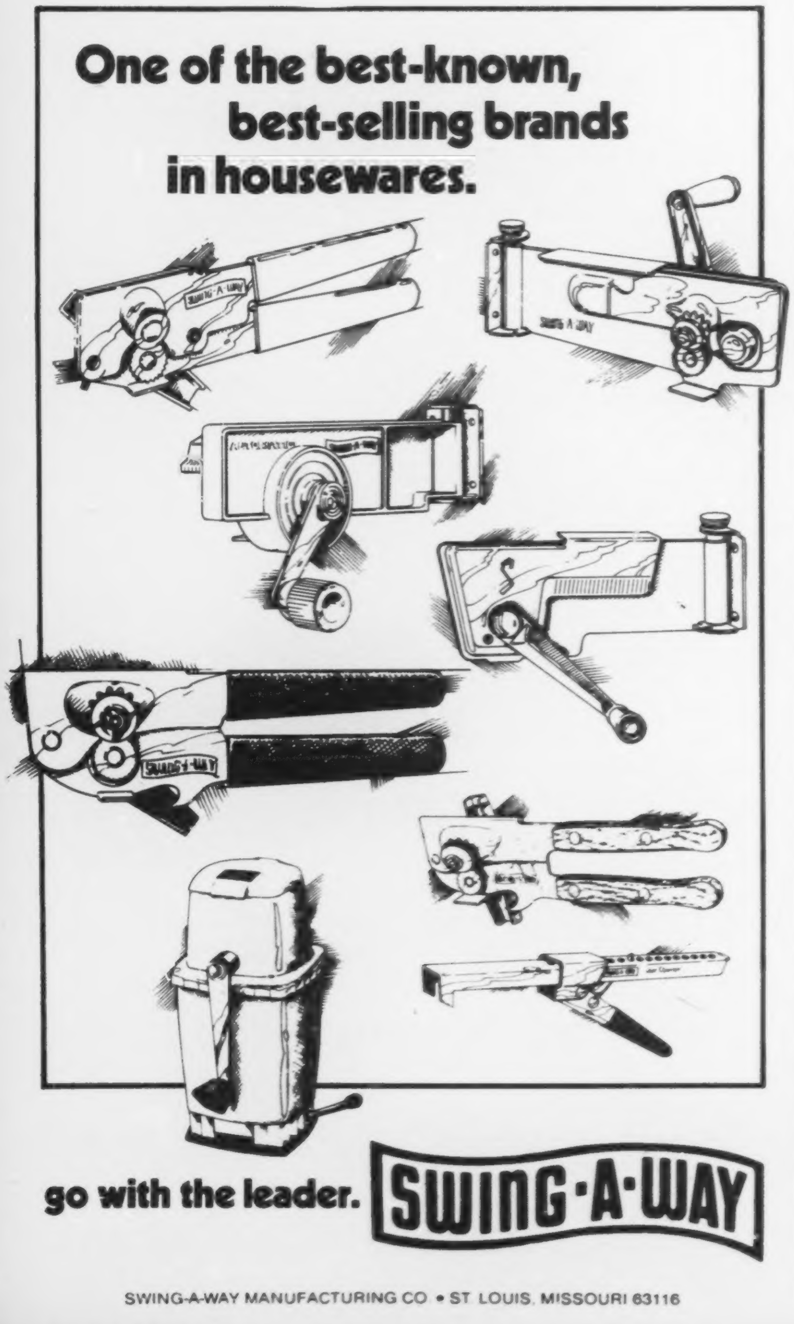
According to Jordan, his store's most popular blank cassette sells for $2.99. "We're not making much money on it, but we're getting them in the store," he says. The store also stocks $400 color televisions as well as $49.99 black-and-white televisions. The latter, he says, are so popular that the store sells better than 1,000 of them annually.

Also doing the job for Jordan's store are microwave ovens—selling at $299, $199 and $99—and microwave cookware. All the microwave products are generously cross-merchandised with each other and with microwavable products throughout the store.

Those are the "sexy" products, but Ted Jordan waxes eloquent about a far more basic GM item: batteries. "They may not be as magnetic or as glitzy as VCRs, but it is unbelievable how many dollars are generated by battery sales. We have two or three displays set up constantly, we turn the corner, and they're gone. At Christmas, we can fill them two and three times a day."

From vacuum cleaners to batteries, the lesson seems clear. At the right price, in the right mood, the customer is willing to buy almost anything at the supermarket—provided the retailer has given her enough reasons to do so. Which may leave some retailers just as confused as ever.

—KEVIN COUPE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CEREAL

Continued from page 156

cancer, and a discussion of coronary risk factors.

Others might not push the health angle quite so far, but fruit and nuts are definitely a phenomenon. Nabisco has introduced a line of Fruit Wheats cereals; Ralston Purina's Almond Delight, which has been around for a couple of years, has been very successful, according to the company; and General Mills's new Clusters has walnuts, almonds and pecans in addition to wheat and bran. The nuts are formed into little clusters with a honey coating.

Opportunities in oatmeal

The General Mills foray into hot cereals is an attempt to bring some of the vitality and segmental thinking found in the cold cereal area over to this more traditional and sluggish category. Says General Mills's Shulstad, "When you're talking about hot cereal you're talking primarily about Quaker, and Quaker's marketing strategy traditionally has been oriented toward the adult end of the hot food market. We see an opportunity here in the adult end of things."

The General Mills entry, Total Oatmeal, concentrates on ease of preparation. Four flavors will be available in instant form (just add hot water). The regular oatmeal flavor will be available also in what is called the "quick-cooking" form, which cooks in one to three minutes. Nothing will be available in the traditional, "slow cooking" form that grandma used.

Although it sometimes seems that all the news in cereals is in new product introductions, manufacturers and grocers actually do most of their business with cereals that have been around for years. These older cereals may not get the hoopla of a new introduction, but they can still be advertised and promoted.

Novel promotions

One of the most interesting promotions to come along in a while is the recent dollar bill promotion for Cheerios. General Mills put a million one-dollar bills into specially labeled packages of Cheerios. Approximately one in twenty of the specially labeled packages actually had a dollar bill in it. "It was a phenomenally successful promotion," reports General Mills's Shulstad.

The company had been concerned that a lot of people would be tearing into the boxes in the grocery store, "but that didn't happen, or at least it happened in so few instances that it wasn't a real problem."

"That was a unique promotion," adds Shulstad. "It had never been done before." Whether the company will do it again remains to be seen. In the meantime, you can try the company's Golden Grahams; there's a free digital watch in one of every 15 boxes.

—WILLIAM K. WEST

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FROZEN FOODS

Mexican food is bucking the trend toward slower growth. Sales of the spicy cuisine are hot.

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doing a line like this. The consumer said to us, 'Who are all these companies? If you give us a line of foods from a well-trusted brand like Swanson's, we will buy them.'

"Basically, that's the same kind of response we've gotten from the trade," Trainor-Smith says. "They've said, 'Look. We know you people are in this for the long haul. We know you've got enough money to support the line, and give us trade deals.' So while it's always difficult for anyone to get new products into the market right now, I would say that with the equity and trust that we have, and with our sales force, we've done very well at getting our new products in."

Old World accents

If Campbell seems to have few qualms entering the frozen entree business with a coast-to-coast splash, the company is taking a more cautious approach as it tests the waters with its Prego specialty Italian entrees.

The August 1986 launch was restricted largely to the Northeast, with an eight-item line that was augmented in April 1987 with three additional varieties. This fall, the product line will travel to two more states, Florida and California. "We hope it will eventually be national," says Susan Reed, associate marketing manager for Prego Frozen Entrees.

One reason for the relatively cautious approach is the line's potentially "limiting Italian flavor profile," Reed says. "The products have to have zestier sauces, and the meatballs are made with Italian sausage and ground beef, not just a plain ground beef. Prego competes with an authentic Italian homemade taste."

Mexican heat

Mexican food may be the next category in line for an "authentic" vs. "mainstream" product positioning. It ranks as the hottest ethnic food tracked in this year's CES, bucking slower growth trends with a 15.6 percent surge in sales. And as Italian cooking sweeps from East to West, authentic Mexican journeys northward, for some of the same reasons.

"The appeal of Mexican food is pretty basic, actually," says Les Landes, director of communications for Pet Inc. (St. Louis), corporate parent of Old El Paso. "It's a zesty food, it's colorful, it's economical, it's convenient, it offers a lot of variety, and it tastes great."

Pet's Old El Paso subsidiary first launched its frozen Mexican prepared foods in August 1983, and achieved national distribution by the end of 1984, Landes says. The Old El Paso line leads the Mexican segment with 10 varieties of enchilada and chimichanga entrees and four burrito varieties.

While the frozen Mexican segment remains less crowded than the frozen Italian arena, the process of line expansions is well under way. Foodways International is reportedly having substantial success with a calorie count Mexican line. And Mexican foods seem an especially promising fit with contemporary American "grazing" habits.

ConAgra acquired a taste for ethnic food last year, when it bought the Patio line of frozens along with the Chun-King and Morton brands from Beatrice (New York). The company has no immediate plans to revamp Morton's line, and won't be radically changing its large Banquet line. But new ideas are cooking at Patio and Chun-King, according to spokesman Susan Hanley, and new items may appear as soon as January.

A breakfast bonanza

While most of the freezer's hottest-growing categories are maturing with remarkable speed, there was still room for some double-digit growth rates in this year's CES for breakfast entrees. Sales for the category sizzled with an 18 percent, $60.2 million increase, to a total $394 million.

Growth in waffle sales provided the bulk of the dollar gains, with a 13.6 percent, $22.6 million increase. But "other" breakfast entrees, including TV dinner style breakfasts, morning entrees and breakfast sandwiches scored the highest percentage growth for the frozens category in supermarkets—a 24.6 percent sales gain. French toast and pancakes followed, with a 23.6 percent, $8.4 million surge in sales.

Major companies sharing in the growing American appetite for frozen breakfast products include Pillsbury (Minneapolis); Campbell's Swanson, with its Great Starts line; Quaker Oats (Chicago), with Aunt Jemima products; Kellogg Co. (Battle Creek, Mich.) with its Eggo line and Mrs. Smith's subsidiary; Sara Lee Corp. (Chicago), with Jimmy Dean, Rudy's Farm, and Sara Lee products; Pet Inc., with its Downyflake brand and the Geo. A. Hormel Co. (Austin, Minn.), with its New Traditions breakfast sandwiches.

Along with the promotional support fast food restaurants are giving to the morning meal, frozen breakfast items are getting a boost from dieticians and nutritionists. Also a factor in breakfast sales is the growth of the once-ethnic bagel. Expanding on the efforts of Kraft's Lender's subsidiary, Sara Lee Kitchens started pushing the bagel on a national scale, with a promotional schmear that helped spread the product from its East Coast stronghold to the rest of the country by early 1987.

"There's a lot of interest in the breakfast category, especially with products that don't require a lot of preparation time," Ransom says. "Microwaves are a real breakthrough for frozen breakfast foods." Along with its bagels, Sara Lee is finding strong demand for its cinnamon rolls and its Hearty Fruit Muffins.

Fresh versus frozen

While consumers are as concerned about nutrition as ever, the move toward fresh seems to have stabilized a bit, as far as vegetables are concerned. Dollar growth for the $2 billion frozen fruit category at supermarkets was a flat 0.2 percent. The $14.21 billion fresh vegetable category grew faster, but not that much faster, with a 1986 increase of 0.5 percent.

Frozen meat, by contrast, lost share to the fresh variety, with an 8.3 percent decline in the $208 million frozen segment at supermarkets last year, versus a 0.4 decline in the $26.6 billion fresh meat category.

Consumer preferences for white meat are clearly visible in the continuing gains made in frozen poultry. The $2 billion category grew 10.1 percent, a decline from the previous year's 13.6 increase.

The frozen fish and seafood category was up 5.9 percent, an increase on the previous year's 2.6 percent gain, to $672 million. But unlike the frozen poultry category, which beat out fresh poultry in sales growth, frozen fish lagged behind the remarkable $15.3 percent increase in the $3.1 billion fresh fish and seafood category.

—FRANK HAMMEL

CONDIMENTS

Sales of spaghetti sauce topped $1 billion for the first time last year. The meat of the market is in tomato-based products.

Continued from page 158

Hunt-Wesson (Fullerton, Calif.) launched nationally last month is the first major introduction of a canned spaghetti sauce in recent years. Three flavors, regular, mushroom and meat, are packed in single-size, 27.5 ounce cans, and are expected to retail at $1.49.

Progresso, recently acquired by Pet Inc. (St. Louis) and Prince, recently acquired by Borden Inc. (New York), are extending the category's upscale reach with red and white sauces in smaller, more expensive jars, marketing some flavors as characteristic of regional Italian cuisines. Progresso's line, introduced in August 1986, and now distributed in metropolitan New York and Philadelphia, includes Alfredo, Bolognese, Seafood, Sausage and Peppers, Carbonara, White Clam Sauce and Marinara varieties.

Classico Pasta Sauces, introduced by Prince in January 1986, has three varieties: Di Napoli, a tomato and basil recipe characteristic of Neapolitan cooking; D'Abruzzi, a beef and pork sauce originally from the Abruzzi region of Italy and Di Sicilia, a ripe olive and mushroom blend from Sicilian cuisine. The sauces, in 26-ounce mason jars, retail for $2.29. This month, with new owner Borden's support, the product will roll from the Northeast to Chicago and as far South as Florida.

Les Landes, director of communications at Pet Inc., says that Progresso's Alfredo and White Clam sauce "do the best right now, because they offer a unique alternative to tomato-based sauces, and they're pretty widely recognized by consumers." While he says Progresso is "working toward" national distribution, the company hasn't announced specific expansion plans.

Some like it hot

Though overshadowed in sales by spaghetti sauces, there have been almost as many new product introductions recently in the smaller segments of the condiments category, proving that consumers are becoming more adventurous in their taste experiences, sending their taste buds on safari with everything from fiery Cajun and Mexican sauces to the more subtle flavor of wine-based Worcestershire sauce.

This willingness to experiment helped boost the Mexican sauce segment by 16 percent last year to $241 million, according to figures gathered by New York based Selling-Areas Marketing, Inc. (SAMI). Salsas showed the spiciest growth, with a blistering 25 percent increase to $67.3 million. Picante sauces followed, with a 20.4 percent sales gain to $84.7 million. Even Mexican sauces that lagged—taco sauce ($68.6 million, up 6.5 percent) and enchilada sauce ($19.9 million, up 7.4 percent) turned in respectable sales gains for the year ending Jan. 30, 1987.

Despite the continuing growth, new product activity has been mild compared to spaghetti sauces and other condiment categories. Of Old El Paso's seven sauce varieties, all but two chunkier salsas have been South-of-the-border standards for years.

Northern retailers who question if newly acquired tastes for Mexican cooking have a chance of enduring past the fad stage only have to look southward, where Mexican food has been popular for decades.

"It's always been a big category here," says John May, a grocery buyer at Randall's Food Market (Houston). "Our typical store will have 24 to 28 feet of Mexican food." Spaghetti sauces, by contrast, were recently expanded from eight to 12 feet, with no future expansion expected for some time to come.

Cajun sizzle

It remains to be seen if Cajun cuisine will be as popular, long term, as Mexican cooking. For the moment, at least, sales growth seems almost as hot as the spices in a well-blackened entree. The condiment sauce category got a Cajun kick last year, with supermarket sales jumping 6.8 percent, to $95.6 million. And with major manufacturer support, hot stuff from the bayou could add more sizzle to next year's CES results.

This year, Kraft Inc. (Glenview, Ill.) is rolling with the Makin' Cajun line of specialty dinner kits and condiments it introduced last October. Three dinner kits—Jambalaya, Pirogue and Gumbo are merchandised together with Cajun-spiced spaghetti sauce, barbecue sauce and blackened mixes; the Makin' Cajun brand appears throughout.

The danger, of course, is that the current Cajun sizzle will fade to a fizzle. But there's some evidence that Cajun has arrived, and may endure, even in a category as fickle as barbecue sauce.

"The Cajun trend has really taken hold," says Diane Roberts, a spokesman at Heinz USA (Pittsburgh), which introduced Cajun style and Mesquite Smoke flavors for the 1987 summer barbecue season. Mesquite smoke, she adds, still has some fire, despite all the attention Cajun has been receiving this year.

Hitchhiking flavors

While the new flavors promise to expand sales for barbecue sauces above and beyond the $305.9 million they generated in supermarkets last year, the spicy sauces may have gotten their biggest boost in recent years from the growing propensity of consumers to throw a few pieces of chicken on the grill instead of the usual steaks, hamburgers and hot dogs.

In the case of barbecue sauce, the benefits of the red meat to white meat switch appear to be stabilizing. According to last year's CES, the spicy stuff was riding the white meat wave with a growth rate of more than 10 percent. This year's CES shows sales gains of 3.8 percent.

Other cooking sauces, meanwhile, are just now exploiting white meat opportunities that may have existed for years. Hanson Trust PLC's Lea & Perrins division (Fair Lawn, N.J.), which has been carrying on Worcestershire sauce's 150-year tradition in this country, is hoping to hitch a ride on the shift away from hearty eating with its white wine Worcestershire sauce, introduced nationally in January.

"The consumer trend is toward lighter eating. And most of the condiments in test markets today are beef-oriented," says Rick Heller, product manager for white wine Worcestershire. "Ketchup, steak sauce, Worcestershire sauce—with the possible exception of barbecue sauce, they're all beef-related."

While many categories that fall under the broad rubric of "condiments, dressings, spreads and relishes" are seething with new product activity, there are oases of calm in some of the more mature categories, like mayonnaise, ketchup and peanut butter. At the same time, there also seems to be room for new product potential.

Mayonnaise seems to be a

sleeping giant, with a supermarket sales base of $643 million and only a few "light" line extensions from CPC International (Englewood Cliffs, N.J.), maker of Hellmann's and Best Foods mayonnaise, and other manufacturers propping up last year's sales decline of 2.2 percent.

Peanut butter sales rose just 1.7 percent, despite modest price increases due in part to fears of a small peanut crop in last year's parched Southeast. (Actual yields and prices were near normal, according to the Georgia Peanut Commission, Tifton, Ga.). And while specialty manufacturers have experimented with apple, banana and other flavors, the peanut butter category giants showed no signs of interest in creating or filling specialty niches.

Ketchup sales grew 2.3 percent, to $475 million at supermarkets. The category Goliaths have opted against tampering with their success, but a few Davids have appeared on the horizon, slingshots in hand. One is Blanchard & Blanchard, a family business from Norwich, Vermont with projected 1987 sales of $3 million for its lineup of condiment items, one of which is Chunky Ketchup, in original and extra spicy varieties.

"Our philosophy when we started the company was to take current products that people were using, and make them better, without preservatives," says Melinda Blanchard, partner and co-founder of the company with her husband, Bob. The Blanchards, however, don't pretend to compete with the major manufacurers head to-head—their product retails in the $2.49 to $2.69 range, compared with a price range for standard bottles of ketchup between 89 cents and $1.29.

But the small company, which has added bar codes to all its items, seems to be winning shelf space, despite emerging obstacles, like slotting allowances. "We feel very lucky," says Melinda Blanchard. "Supermarkets are coming to us. Usually, the only thing that will get you shelf space is money—you just buy space."

Blanchard & Blanchard's specialty ketchup, introduced in 1985, now rivals salad dressings, the foundation of their business, in unit sales. In all, the company markets 45 varieties of mustards, salad dressings, dessert toppings, chunky ketchup, cocktail sauces, marinades, croutons, glazes and gift items.

While basic ketchup hasn't faced much competition with specialty alternatives, there are hundreds of specialty mustard varieties available for discriminating palates. The old lemon-yellow stuff still dominates, but the proliferation of upscale alternatives, led by Grey Poupon from RJR Nabisco (East Hanover, N.J.), have fueled a 6.3 percent increase in sales, to more than $130 million.

Pourable and spoonable salad dressings traded growth rates last year. Spoonables grew to a supermarket sales volume of just under $400 million, but dollar growth tapered off from the 5.1 percent surge recorded in last year's CES to a mere 1.3 percent increase on this year's charts. Pourables, meanwhile, enjoyed a modest acceleration of growth, from a 1.3 percent increase in 1985 to a 3.5 percent increase in 1986; total grocery sales for 1986 was $713 million.

This year, the Wish-Bone Line from Thomas J. Lipton (Englewood Cliffs, N.J.) has restricted its new flavor activity to two reduced calorie items, Tomato Basil and Garden Medley. While Lipton spokesman Tony Franke expresses hope that the new line will be as successful as last year's Dijon Vinaigrette and Creamy Dijon, in regular and reduced calorie varieties, he acknowledges that success won't come easy.

"The track record of new flavors in the salad dressing industry as a whole hasn't been one of remarkable success. They have a tendency to come and go after a year or two." Franke adds that the industry's top flavors are not about to budge for a brash newcomer. "You could call up anybody in the salad dressing business, and they'd give you the same answer. Year in, year out, it's Italian, Thousand Island, French and Bleu Cheese that do the bulk of the business."

Spicing up the package

One of the more visible changes to Wish-Bone's line is the switch from glass to plastic for the company's 16-ounce bottles. But salad dressing manufacturers aren't the only ones tinkering with packaging. McCormick & Co. (Baltimore), a leader in the spice category, is in the midst of phasing out its rectangular metal cans and introducing its gourmet and regular lines in plastic bottles with distinctive red and green caps.

McCormick's ambitions aren't confined to package reshaping, however. This year, the company will be trying to reshape the $394 million grocery spice category itself, by reacquainting the average consumer with home cooking. "The consumer basically has very limited knowledge about how to use our products," one McCormick executive says. "We're focusing our attention on 'spice tips.' A tip is different from a recipe in that it brings flavor to a dish in a few quick, easy steps."

McCormick's point-of-purchase tip cards, an integral part of their cohesive new spice section, steer consumers to new pre-mixed seasoning blends. The tip card and seasoning packets, like McCormick's new five-item Cajun Quick line, demonstrate quick and easy ways to make blackened steak, blackened fish, and spicy shrimp, chicken, and vegetables.

Durkee's Famous Foods, which is in the process of merging with R.T. French under new corporate parent Reckitt Colman North America (Paramus, N.J.), is also trying to appeal to the time-pressed consumer with innovative lines under the Mrs. Hobbs label. This year's plans call for regional expansion of Easy Pan Gravy, a preblended spice mix for meat drippings, and Recipe Card Blends, a 12-item spice packet line featuring Chicken Italiano, Saucy Herb Chicken, Oriental Pork, Salisbury Steak, Beef and Broccoli and Oriental Beef Stir Fry.

Taste reigns

Both McCormick and Durkee have also tried to expand category sales with lower-sodium seasonings, with some success. For the bulk of the pickle and olive industry, however, taste takes priority over sodium reduced lines.

"We haven't tried reducing salt," says Barbara Schuelke, a spokesman at Oscar Mayer's Claussen Pickle Co. (Madison, Wis.) "It's such an integral part of the expectation of a pickle's flavor. And people don't eat pickles in such huge quantities—sodium isn't often that important an issue."

Lindsay Olive Growers Inc. (Lindsay, Calif.) has experimented with salt reduction. But Jim Earle, director of marketing, warns that too little of a bad thing can be—well, a bad thing. "There is a marked difference in taste. You have to be very careful—when you take out too much to support a health claim, you can easily end up with a product that doesn't taste good."

Claussen, Lindsay and other processors are hoping to augment sales increases for pickles and ripe olives (2.9 percent and 4.6 percent, respectively) with new packaging and expansion into other categories.

Foreign jam traffic

American jelly and jam packers, like most condiment marketers, are upgrading their products, not only to appeal to ever-more discriminating tastes, but to distinguish their product from a rising tide of less expensive foreign jam. Jam sales stuck at 2.0 percent for 1986, according to CES figures, and jelly sales have declined by 1.6 percent.

"The imports have been increasing phenomenally," says Larry Davenport, vice-president of the Atlanta-based Jelly and Preserves Association. "In 1981, the total was 1.7 million pounds, and it increased to 37.7 million pounds in 1986."

To avoid a head-on confrontation with imported products that sell for a fraction of domestic jam's retail price, J.M. Smucker Co. (Orrville, Ohio), M. Polaner (Roseland, N.J.) and other major packers are ganging up on refined sugar, introducing new products that are sweetened with concentrated grape, apple, pear and other juices, dubbed Simply Fruit (Smuckers), Spreadable Fruit (Polaner), and other names.

But despite the proliferation of these high-volume, upscale jams, and some specialty jams at the upper reaches of the category that retail for as much as $12 a jar, the Jelly and Preserves Association's Davenport says there are natural limits to the amount of fruit that can be packed into an elaborate jar.

"A pure-fruit product would not be shelf stable," he says, noting no such jams exist. "You have to be careful when you label that product, and you have to be careful that you don't make claims that aren't supportable, such as 'Contains no sugar,' or 'Sugar-free.' They are, in fact, not sugar-free products. They do contain sugar. It's just fruit sugar instead of sucrose."

—FRANK HAMMEL

DIET FOODS

Weight Watchers has created a good-taste image for itself, and experts say the line could threaten Lean Cuisine's dominance of the category.

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are of the type that can be just placed on the shelf or in the freezer case. In others, the store takes a more active role.

Take, for example, the market for low-calorie frozen pizza. In the coming months, this segment will see the introduction of two different products. One is from an industry giant, Weight Watchers, while the other is from Gilardi's Pizza, a considerably smaller enterprise based in Sidney, Ohio.

Gilardi's low-calorie pizza has its origins in an actual independent pizzeria. Mark O'Brien, who owned a pizza shop in Union Lake, Mich., tipped the scales at 250 pounds, which sent him in search of a tasty recipe for low-calorie pizza. Once created, the recipe helped him drop to 175 pounds, and became one of the most popular items in his shop.

Three varieties

O'Brien brought the item to Gilardi's, a manufacturing company that specializes in private label groceries and in providing supermarkets with equipment and materials to start their own instore pizza parlors. Together, O'Brien and Gilardi's developed a frozen pizza in three varieties—cheese, pepperoni and sausage—that will start showing up in test markets this fall.

Seven-inch cheese pizzas contain just 334 calories, according to Dave Eberwein, regional sales representative for Gilardi's, while the pepperoni and sausage varieties each come in at 435 calories. The seven-inch pizzas retail for under $2, he says, with eleven-inch pies—due to come out soon after the smaller variety—that should retail at two for $3.99.

Possibly of greater interest to supermarkets, however, is Eberwein's plan to sell the recipe and materials to stores wishing to make the pizzas on the premises in their delis. "It will all be based on our test results," he says, "but we can initiate it almost immediately once we get going."

Gilardi's interest in the diet foods category is understandable, especially since its initial foray is into the frozen foods area. Figures from SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES) show broad gains in grocery sales of frozen pizzas—a 3.7 percent increase for the year. Diet and low-calorie frozen products play an increasingly significant part in that category, and in other frozen food categories like frozen dinners and entrees, sales of which increased 6.8 percent in 1986.

Lots of competition

Indeed, it appears that the low-calorie pizza business could become a crowded field, especially as Foodways International Inc. (Boise, Idaho), a division of the H.J. Heinz Co. that owns the license for Weight Watchers frozen foods, has just brought out a line of low calorie french bread pizzas similar in style to Stouffer's French Bread Pizzas, the leader in the frozen pizza category.

The Weight Watchers line includes a cheese pizza (320 calories) and pepperoni pizza (330 calories); the third variety is a deluxe style with sausage, pepperoni, mushrooms, olives, peppers and onions (and a grand total of 340 calories).

There are a total of 29 entrees in the Weight Watchers line, in addition to the three new pizza offerings, according to Joanne Hinkel, assistant product manager with Weight Watchers. There are also 14 dessert items.

New in the past year are cheese manicotti, beef stroganoff, chicken nuggets, Boston cream pie, chocolate mousse, beef enchiladas ranchero, chicken enchiladas suiza, cheese enchiladas, beefsteak burritos, chicken burritos, poundcake with blueberry topping and apple sweet roll. And if a consumer doesn't think those sound like diet foods, that's precisely the point.

Losing a negative image

One of the chief goals at Foodways over the past few years has had to do with image building. Diet foods in general had a negative reputation in terms of taste; once Lean Cuisine, a product of Stouffer Foods Corp. (Solon, Ohio) came on the scene, it created new interest in the category and a certain legitimacy for the entrees it was creating. But Weight Watchers was stuck with a name that, to many people, symbolized food that didn't taste so good.

"We knew we had a quality and a taste problem, and we knew we had to improve our products," says Doug Haines, general manager of marketing with Foodways. "But that battle, in my opinion, has been fought and won." Haines points to significant increases in sales over the past few years, 26 percent during 1986 alone, as proof that the brand's customer base has expanded beyond those who happen to be on the Weight Watchers diet. "Over half our business comes from people who have never been to a Weight Watcher class," he says.

Weight Watchers's other activities revolve around its Candle Light line of full, low-calorie dinners; three new varieties—veal patty parmigiana with fettucini and a vegetable medley, tenders of chicken a la king with long grain and wild rice and a vegetable medley, and sirloin beef with mushroom sauce au gratin potatoes and green beans— are currently being touted in a new advertising campaign featuring actress Lynn Redgrave, who has become better recognized for her commercials for the Weight Watchers entree line.

Lost momentum

"Frankly," Haines adds, "right now I think we're pretty close to beating Lean Cuisine in the entree category." Budget Gourmet's Slim Select line of low-calories dishes, he says, appears to losing some of its momentum.

Several industry observers familiar with the frozen, low-calorie segment agree with that assessment, suggesting that Lean Cuisine remains number one, while Weight Watchers and Budget Gourmet Slim Select are battling for the second position, with Weight Watchers currently given a slight edge on Budget Gourmet.

Budget Gourmet recently changed ownership, from All American Gourmet Co. (Orange, Calif.) to Chicago-based Kraft Inc. Numerous phone calls to Kraft for comment went unreturned.

Not rolling over

Stouffer Foods Corp., however, seems to be conceding nothing to Weight Watchers or anyone else. Marguerite Tremelin, spokesman for the company, says the company is now up to 25 offerings in its line of low-calorie entrees; when the Lean Cuisine line was created, in 1981, it consisted of just 10 items.

According to Tremelin, four new items were introduced by Stouffer during the past year: veal lasagne, shrimp and chicken cantonese, breast of chicken marsala, and herbed lamb. These products are all microwavable, coming in either pouches or Dualon trays (a Stouffer-designed tray for microwave or conventional ovens); Stouffer does recommend, however, that fish entrees not be microwaved.

Tremelin concedes that Lean Cuisine does not have the overwhelmingly dominant position in the category that it once had, noting that "the market has been a little flat this year," and that Weight Watchers has made good use of its aggressive product introduction schedule.

"But we're still pushing our new items," she says. "There's a lot of scrambling for shares right now, and a lot of switching back and forth." She says her company is confident that when the dust settles, Lean Cuisine will still be first in the category.

Seeking daylight

For ConAgra Frozen Foods (Ballwin, Mo.), it isn't a question of being number one when the dust settles; rather, the company would simply prefer not to be in the basement.

Toward that end, the company has completely redesigned its Classic Lite line of complete calorie-controlled dinners, creating new packaging, a new lineup of varieties and even a new name—Armour Dinner Classics Lite.

The name change takes advantage of the fact that the company also has redesigned its Armour Dinner Classics line, giving that segment a whole new look. According to Susan K. Hanley, a spokesman for the company, once that change was made and a decision was reached to spend more than $16 million in advertising, it made perfect sense to recreate the Classic Lite line so it more closely resembled a line extension.

"The Classic Lite line was up to 21 varieties," Hurley says, "which have now been reduced to a dozen, all of which range between 220 and 290 calories apiece. Varieties include steak Diane, chicken burgundy, salisbury steak, baby bay shrimp, chicken cacciatore, chicken oriental, beef pepper steak, chicken breast with tomato and mushroom sauce, chicken marsala, sweet and sour chicken, tortellini with meat and seafood with natural herbs.

The reason for the reduced number of offerings, Hanley says, is that the company had some problems getting supplies of some of the products used in the old line. The new lineup is made up of those products that ConAgra knows it can get and can prepare well, she says.

In addition, ConAgra will continue to market its line of low-calorie entree dishes, Light & Elegant, currently available in a dozen varieties. But Hanley says that Dinner Classic Lite is the basis of ConAgra's hopes for future growth in the low-calorie segment.

There is mixed news from the non-frozen low-calorie front, which, in many ways, is suffering even more at the hands of instore departments than those diet foods in the frozen category.

Can it

Tri-Valley Growers (San Francisco), which markets both the Libby Lite and Diet Delite lines of canned fruits and vegetables, reports a certain amount of surprise at the trends. Dan Thornton, marketing manager for Tri-Valley says, "Once we got to January 1986, the trend away from canned goods seemed to reverse itself. Pretty generally, we're seeing an upward trend in canned fruit sales overall, as much as six or ten percent.

"When we went to an easy-opening can for the Libby Lite fruits, it seemed to be pretty well-received," Thornton says. "Something is working well for us."

This growth is restricted to fruit, Thornton says, with vegetables not sharing in the wealth. And of Tri-Valley's two lines, Libby Lite was by far the better brand, he says, noting that "Diet Delite was pretty flat."

Tri-Valley's experience is typical of the industry as a whole; canned fruits are selling well, canned vegetables are not. CES figures for 1986 show an increase of 4.1 percent in grocery store sales of all canned fruits. Canned vegetables declined 1.4 percent.

James Rice, director of marketing with S&W Fine Foods (San Mateo, Calif.), which manufactures a considerable line of low-calorie canned fruits, vegetables and salad dressings under the Nutradiet label, says that his brand has nothing really to brag about.

"Things are fairly flat," he says. "Sales are not very dynamic." The company is trying to turn this around, he says, by upgrading the products offered in the Nutradiet line. But unfortunately, he says, "When you go to get a salt-free, water-packed fruit, it doesn't always taste that good when you compare it to something packed in syrup. When you offer a product that has no sweeteners at all, it is going to appeal to certain people, but they're going to enjoy a product with syrup more."

Or, perhaps, they'll enjoy a fresh product. "Well, that's exactly where our competition is coming from," Rice says. "Fresh produce is now available everywhere, all the time. Back East, 10 or 15 years ago you couldn't find a lot of fresh produce half the time. But now there's a tremendous variety, and it's always available."

—KEVIN COUPE

CES OVERVIEW

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supermarket ($2 million plus).

While we still use these five classifications in our charts, the two smallest segments of the industry are shrinking in terms of share of market and number of stores. Supermarkets continue to dominate grocery sales, accounting for 72 percent, or over $213 billion last year. This was an increase of 5.7 percent over 1985, despite an increase in the number of supermarkets of less than one percent. Average sales per supermarket rose about five percent, to just over $6.9 million (mean average sales). Superettes also enjoyed a good year, with sales accounting for 6.1 percent of total sales, and average sales of over $1.8 million.

The kind of store with the most significant growth is the store that is doing between $500,000 and $1 million per year. Many convenience stores fit into this classification. Sales within this segment rose a whopping 32 percent last year, with 20.7 percent increase in the number of units in this classification.

Losing share

The average store in this segment had sales of over $900,000. Those convenience stores that do not make it into this segment are in the upper ranges of the next segment (sales under $500,000), where the average sales per store is just under $350,000. This segment has lost part of its share of the grocery market, and now accounts for only 5.6 percent of sales, while still having more stores than all the other segments combined. The problem is that the segment is actually losing stores, falling to just under 99,000 units from over 104,000 in 1985. The reason for this drop in operating units is twofold.

First, many of the smaller units in this segment have simply vanished. This classification was traditionally populated by the "mom and pop" stores, many of which have closed. Second, many of the units that were classified in this segment a year ago have been upgraded into the next segment because they have gained sales in excess of $500,000; many of these are the larger convenience stores.

The general upward mobility of store sales that can be seen in the average store sales figures mentioned above for each segment point to the increased strength of units in the top three segments, and they also point to a need for reviewing the classification criteria before all the stores in the top two segments become classified as supermarkets, with everything else as a convenience store, or we wind up with a system where stores are known as those with sales over $2 million and all others.

In the battle between independent grocers and chains, the independents continued to eat away at the chain's market share of the industry. Last year, independents controlled 40.6 percent of the industry. This was up slightly from the year before. Chains lost 0.9 percent of their share of market, with 53.8 percent of the food industry. The other 5.6 percent of food sales is handled by specialty stores. The sales figures for chains includes those companies that operate 11 or more stores, regardless of whether they were supermarkets or convenience stores.

"When you're hot, you're hot," the popular song goes: its author must have had general merchandise (GM) in mind. It's not mysterious that GM is this year's hottest department, with sales up 17.4 percent. Over the last few years, nonfoods sales at supermarkets have increased at a faster rate than foods. It's really all a matter of how long the department has been in the stores.

Traditionally, health and beauty aids (HBA) have led the sales growth in nonfoods. This year, sales of HBA, while still strong at 4.9 percent, slowed from the 6.4% rise of just a year

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SOFT DRINKS

The national craze that boosted sales of Canfield's Diet Chocolate Fudge soda has cooled, and the company has brought out Diet Cherry Chocolate Fudge.

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glitz and glitter associated with the category as a whole. There are a lot of products out there, and it's very important for a new cola to have a distinct personality for itself."

One industry expert says that it is hard to understand Pepsi's experiment with Jake's. "First, it lacks a clear position in the marketplace," the expert says. "Second, it has imagery that is exactly the opposite of Pepsi's usual approach. And third, the cola companies have spent well in excess of $1 billion in support of the proposition that a low-calorie soft drink comes in a white can, and Jake's is in a red can. I don't see how it fits in."

Trying harder

According to Ross, that's exactly what the company has in mind. "This is unexplored territory for Pepsi, but it is the kind of thing for which Pepsi has become known. We're number two in the industry, and the status quo doesn't benefit us." Ross adds, "In the case of Jake's, the real question is this: 'Is the world waiting for another cola?' This is an attempt to find a new segment. If it works, great. If it doesn't, that's fine, too."

"In the three markets where we've been, Jake's has been hovering around a two or three percent market share," Ross says. "But we're not moving too quickly." For the moment, there are no plans to expand out of the three test markets.

What makes this interesting is that SUPERMARKET BUSINESS's 40th Annual Consumer Expenditures Study (CES) indicates that diet soft drinks overall had virtually no growth during 1986, while sugared soft drinks did considerably better. The entire $12.1 billion industry—of which better than $7 billion in sales is done in grocery stores—grew 4.3 percent overall, and 4.6 percent in grocery stores. Diet soft drinks provided almost none of that expansion.

Bottled soft drinks taken as a group experienced a 3.9 percent increase in 1986, and a 3.8 percent increase just in grocery store sales. Sugared soda accounted for all of this growth: in all outlets, sugared soda was up 4.3 percent, and in grocery stores, 4.5 percent. Diet soft drinks in bottles on the other hand, saw a drop in sales of 1.1 percent in all outlets, and 1.3 percent in grocery stores.

In the canned soft drink segment, diet soft drinks experienced a small increase of 1.9 percent in all outlets and 2.1 percent in grocery stores, but these increases are for all practical purposes nullified by the decreases in the bottled diet segment. Sugared soft drinks in cans on the other hand, saw sales increases of 5.5 percent in all outlets, and 5.8 percent in grocery stores.

Song remains the same

To note that the so-called "cola wars" continued unabated during the past year is like saying that it is brighter out during the day than it is at night. The Coca-Cola Co. (Atlanta, Ga.) and Pepsi continued to have at each other, with Coca-Cola capitalizing on the strength of Classic Coke to make up for what some refer to as the debacle of New Coke's introduction more than a year ago.

Pepsi's Ken Ross continues to point out that his company, while behind Coca-Cola in overall sales, remains in first place in food stores, which is where consumers have a choice (as opposed to restaurants or vending machines, where they do not).

Ross also points with pride to the performance of Pepsi's Slice line of soft drinks, which, when taken together (there are four flavors—lemon-lime, orange, cherry cola and apple, each in regular and diet versions) have a 2.7 percent market share. Regular Lemon-lime and Regular Orange each has a 0.5 percent market share, while Diet Lemon-lime has a 0.6 percent market share and Diet Orange has 0.4 percent of the market. (Regular and Diet Orange Slice form the top-selling orange soft drink in the U.S., says Ross.) The regular and diet versions of apple and cherry cola each have a 0.2 market share, Ross reports.

Coca-Cola Co., which might reasonably be expected to pat itself on the back for the performance of Classic Coke, and to plug its Minute Maid line of juice-based soft drinks that reached mass distribution during the past year, had nothing to say. Repeated phone calls by SUPERMARKET BUSINESS to the company's Atlanta offices went unreturned.

After the debacle

The consensus of industry observers is that Coke Classic was the number one soft drink in the country in 1986, with about a 19 percent market share, up significantly from its roughly six percent share in 1985; the experts hasten to note that the low figure in 1985 results from the fact that Coke Classic was not in distribution during the entire year.

New Coke, on the other hand, which had a 15 percent market share in 1985, was down from second place to ninth with just better than two percent of the market for 1986 (a figure, it should be pointed out, roughly equal to what Jake's diet cola is doing in the three markets it has been in).

Pepsi Cola, which reigned briefly as the nation's top soft drink in 1985 with 18.5 percent of the soft drink market, maintained roughly that market share but fell to second place.

In the follow-up positions for 1986 were Diet Coke at better than 4 percent of the market, up from 3.5 percent in 1985; Diet Pepsi, with 4.3 percent of the market, up from 3.5 percent in 1985; Dr. Pepper, staying even with about 4 percent of the market; Sprite, also even with about 3.5 percent of the soft drink business; 7-Up, declining to 3.5 percent from slightly better than 4 percent in 1985; Mountain Dew, even with 2.5 percent of the soft drink market; and, sharing tenth place, RC Cola and Cherry Coke, each with about 1.7 percent of the soft drink business, equal to what they each had in 1985.

At the corporate level, things measured out about the same way. Coca-Cola's lineup of soft drinks brought it first place with a 39.9 percent market share, up from its 1985 figure of 38.8 percent. Second-place Pepsi's total market share was 29.8 percent, up from 29.2 percent in 1985. Dr. Pepper, in third place, was also up a bit from 1985, to 5.3 percent from 5.1 percent. Fourth-place 7-Up, with a decline to 5.1 percent from 5.9 percent, was the only member of the top five to see a total decrease in business. And Royal Crown Cola Co., in fifth place, stayed even with a 3.1 percent market share.

Silver linings

A company in decline almost always tries to look on the bright side, and The Seven-Up Co. is no exception. But the folks at Seven-Up think they have a couple of reasons for good cheer. To begin with, the company appears to be more stable than it has in years, having been purchased in November 1986 by Hicks & Haas, an investment group; in August 1986, the group developed a different package to purchase Dr. Pepper Co. The companies have different boards of directors, yet occupy the same building in Dallas, Tex., and share certain operating components.

The other reason for optimism at Seven-Up headquarters is called Cherry 7-Up, the new lemon-lime and cherry flavored drink that was introduced in diet and regular versions early in 1987. Jim Ball, who serves as spokesman for both Seven-Up Co. and Dr. Pepper Co., says that with availability in roughly 90 percent of the company's bottling system, it appears that Cherry 7-Up is going to be a winner.

"Together, Regular and Diet Cherry 7-Up have achieved a 1.7 market share," Ball says, noting that this figure is equal to that of both Cherry Coke and RC Cola. "It could be the best new product of the year. It is really remarkable from the retailer point of view, because with the proliferation of product, it sometimes seems that there's nothing really exciting in this business." This, he says, is exciting. "It's a totally new flavor category. It's never been done before."

Unplanned appeal

According to Ball, the cherry-flavored soda appears to have a much wider customer base than was originally thought. "Our target audience had a much younger demographic, even younger than traditional 7-Up consumers," he says. "Those people continue to be the foundation of the business, but there is a residual effect in that people in the 30-to-50 age group are coming back to a product that reminds them of something they used to get at the local soda fountain. That group may be stronger than we imagined, and the success of the product is almost entirely serendipity."

One person who is beginning to agree with Ball is James W. Harralson, executive vice president and chief operating officer of Royal Crown Cola Co. (Rolling Meadows, Ill.). "We're really looking at the lemon-lime-cherry segment, and if it doesn't slow down, we've got a product in the arsenal ready to compete," he says. Harralson maintains that his research suggests that the cherry cola market—in which he competes with his Cherry RC Cola—has pretty much flattened out, with little growth remaining. The niche being exploited by Cherry 7-Up, however, is showing stronger staying power, he believes.

Harralson's willingness to dive into the fray is reflective of the changed attitude at Royal Crown. While the company's flagship brand did not experience any growth in market share in 1986, he says, growth in the overall soft drink business means that the company made more money. Diet Rite Cola's 20 percent growth rate during the past year, he says, has led the company to expand that line with four flavors: tangerine, lemon-lime, pink grapefruit and black cherry.

"These days, I can see the light at the end of the tunnel, rather than just a train coming right at me," Harralson says. "We know what works, we know what sells RC. And that's what we're doing."

Lightning in a bottle

What every soft drink company hopes for is to create that singular flavor that becomes more than just a soft drink. Occasionally, it happens. After it does, more often than not, things go back to normal—which creates a whole different set of challenges.

At the A.J. Canfield Co. (Chicago, Ill.), the problem a year ago was getting enough Diet Chocolate Fudge Soda into the stores to meet the huge demand. These days, according to Alan Canfield, senior vice president of the company, the problems have changed a bit.

"These days, we're fighting for shelf space," Canfield says. "We're not a direct distributor, and our products tend to be warehoused before they ever get to the consumer. So, while our sales are strong, we can't get enough to the shelf, and we're losing sales because of it. It's a terrible problem, because we've worked very hard, we've spent lots of money on advertising, and we've put millions of coupons out there. We know that it can be sitting on the shelf and 58 people will walk by it, and then the fifty-ninth person will walk in, buy four or six six-packs and wipe the store out. And then it can be weeks before the store gets more, and we lose our shelf space."

Adding to the problem, Canfield admits, is the inevitable cooling off of Diet Chocolate Fudge, which became all the rage when syndicated columnist Bob Greene raved about it in print. "It was a tremendous craze, and we never really knew how high the real-life business was," Canfield says. "They were all artificial figures."

Deja vu?

In an attempt to maintain a certain amount of momentum, Canfield this year introduced a line extension, Diet Cherry Chocolate Fudge, which he hopes will capitalize on the audience appeal of Cherry Coke and Diet Chocolate Fudge. Already, he says, the cherry product is doing 40 percent of his overall chocolate soda business, and it is only in three-quarters of the country.

And if that's not good enough, Canfield reveals that he has yet another concoction up his sleeve (or, at least, in his coolers): a diet soda that blends the flavors of chocolate and peanut butter. "We can do it," he says, "but I'm just not sure the world is waiting for it." Creating this new soda, he adds, has been a difficult process because while it tastes great when fresh, the aging process tends to destroy it in a matter of weeks. "We need stability for at least a year before we'll put a product on the shelves," he says.

Having spent billions of dollars adding sugar and flavoring and caffeine and artificial sweeteners to water and selling it to thirsty consumers, it is ironic that many soft drink companies are going back to their roots and selling—you guessed it—water.

Watered down

Pepsi's Ken Ross says that water is a natural for marketing-oriented companies when one considers that it is an underdeveloped market. "The top 10 beer manufacturers in this country have 96 percent of the beer market," he says. "The top 10 soft drink manufacturers have 93 percent of the soft drink business. But the top 10 bottled water manufacturers have just 43 percent of the bottled water market. That tells you this is a fragmented market, and we think our kind of marketing expertise could make things interesting."

Pepsi recently created a new division, Great Spring Waters of America, which is testing Ice Mountain Maine Spring Water in four New England markets: Boston, Providence, R.I., Hartford, Conn., and New Hampshire.

Pepsi's product is still rather than sparkling water, such as seltzer, because "still water does 70 percent of the bottled water business," according to Ross. The CES figures indicate that bottled water alone is a $309 million business.

To begin with, Anheuser-Busch Co. (St. Louis, Mo.), the dominant brewer in the U.S., created something called Zeltzer Seltzer. There was just one problem—a trademark infringement suit brought against it by Soho Natural Soda, a New York City company. Zeltzer Seltzer's label looked suspiciously like the checkerboard logo that adorns Soho's products. Perhaps most remarkable about the suit was that Anheuser-Busch surrendered.

Picking a fight

Then, Alan Canfield of Diet Chocolate Fudge fame decided to take on the Original New York Seltzer Co., a Walnut, Calif.-based company that markets a line of 10 flavored seltzers. Canfield claimed that companies such as Original New York Seltzer were practicing deceptive labeling by using seltzer in their name since their products actually contain forms of sugar and could be harmful to dieters or, more importantly, diabetics.

"They have something like 135 calories per 10-ounce bottle," he says. "It's a total rip-off. We're trying to make them change their label. We worked hard to create a perfect seltzer without any kind of sugar, and we have 60 percent of the business in the Midwest. They ought to be ashamed of themselves."

Frank Sariano, advertising director of Original New York Seltzer, is understandably defensive about the charges. He says that the name of the company can be traced back to its origins in pre-World War I days, and that "as soon as there was a squawk," the company put "soda" on the label.

The company plans to bring out a product called California Light Seltzer, which will be a 40-calorie version of its flagship line. Sariano says that plans for the line of five flavors currently are on hold as the company decides how to address the controversy generated by Canfield. "We're not really sure how it's going to work yet," he says. "It may go out under another name."

So, forget "cola wars." These days, it's "water wars."

—KEVIN COUPE

SNACK FOODS

Exotic flavors are the driving force in new snack food products. Many of the fastest growing new items are snacks flavored with Mexican and Cajun spices.

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Borden currently has eight regional firms in its stable. These include: Wise/Old London, Buckeye, Seyfert Foods, Clover Club, Jays Foods and Geiser's. These firms have produced four brands that turned into national products. The latest was Spirals, a product that, Drennen said, has given Borden a viable entry in the corn chip business. The other national brands are New York Deli, a kettle-style potato chip, Cottage Fries and Cheese Doodles.

At mid-year, Borden was poised to expand its regional base even further. The company reached an agreement in principle to acquire Snack Time, an Indianapolis-based manufacturer of potato chips under the Chesty, Cain's, Kitty Clover, Kass and Kruncher's labels. Which, if any, of these brands make it to national distribution has yet to be determined, says Drennen.

She would not discuss any new product activity in detail. However, she mentions that the company continues to work on product improvements and a couple of new entries could conceivably be in test markets by the end of the third quarter.

But on a practical note, Drennen says, "you can introduce all the new products you want. But you don't necessarily get more retail shelf space."

Smaller entries

More and more, the large producers are not just competing with one another for shelf space. Small regional players in the business are flexing their muscles. These regional and local firms lack the financial and advertising clout of their bigger counterparts. But their products sometimes can gain national recognition through word-of-mouth.

In Louisiana, the word-of-mouth is HOT.

In Gramercy, a small town halfway between New Orleans and Baton Rouge, is Zappe's Potato Chips. The company, housed in a building once used by a car dealership (the showroom is in the front and the chips are fried in the back), is the brainchild of Ron Zappe, a former oil field equipment salesman.

What's the reason for this phenomenal success? Craw-Taters—a chip flavored with spices favored in Cajun cuisine, primarily garlic and hot cayenne pepper.

"It's not a fad, it's a trend," says Claire Charlton, sales and distribution manager. "You are still seeing Mexican food sold nationwide. People like spice and once they try it, they get hooked.

"We describe it as an old-style kettle chip cooked in peanut oil, but people are labeling it as a gourmet chip. It is more costly to produce, but we didn't feel we could get a premium price for it."

Nonetheless, getting hooked on Craw-Taters can be an expensive addiction. The product, which is being stocked in supermarkets, convenience stores and foodservice establishments in Louisiana, Florida, Texas, Mississippi and Alabama, generally costs $1.39 for a 7-oz. bag. However, Charlton noted that the company is doing a whopping mail order business to California where the product is selling for $2.39.

The company is not aggressively seeking to expand its marketing territory at this point because of the strain it would place on production facilities. But once the company has a chain account in one area, approval to service stores in other areas can quickly follow.

Craw-Taters, which are boiled with crawfish to pick up the flavor of the spices, is the Number One seller for Zappe's. But research has also produced Jalapeño, salt free, hickory smoked barbecue and an Italian pizza flavor called Zapparoni. The company also has a seasonal offering called Yam Taters which, as the name implies, is made from sweet potatoes.

"We're always looking for new flavors. We're even considering offering a flavor of the month which, if it takes off, could become part of our regular line," said Charlton. "Our customers will let us know what they like and what they don't like."

Exotic flavors are certainly not limited to salty snacks. Minneapolis-based General Mills is offering consumers several new taste sensations in its fruit snacks. The company is in the process of rolling out grape and watermelon for its Fruit Wrinkles, while Fruit Rollups is adding banana to its line.

One new product, due to arrive in September from the "Betty Crocker kitchens" is Pudding Rollups. It will have the same consistency as the Fruit Rollups, and will be available in milk chocolate, chocolate fudge and butterscotch.

In any analysis of the snack food market one component must not be overlooked—popcorn. And thanks to microwave ovens and the phenomenal growth of the home video market, popcorn continues to gain popularity.

Popcorn is hot

A General Mills spokesman points out that in past years, the only news in the popcorn category was the new packaging and premium pricing brought to the category by Orville Redenbacher's Gourmet Microwave Popping Corn for Microwaves from Beatrice/Hunt Wesson.

"But the penetration of microwaves in American homes is now in the 60 percent range, and growing. And sales of these appliances are creating more users for the product," says a spokesman for General Mills, maker of Betty Crocker Pop Secret which has challenged Redenbacher for top spot in popcorn sales. Meanwhile, the company has extended its line to cater to different tastes. The line now consists of natural, buttered and salt-free with butter.

Beatrice spokesman, Kay Carpenter, declines to quote sales figures for the microwave line, but notes that the company's volume in this product is now about equal to its regular line of popping corn. "We were one of the first to nationally distribute a shelf-stable microwave product. But even we weren't aware of its potential."

As to new product development, Carpenter said the company is now test marketing a caramel-covered popcorn snack on the west coast. It has yet to be determined when the product will come out of test market, let alone when it might hit the retail shelves.

Manufacturers, as might be expected, remain mum on most new product activity. But publicity is anything but quiet.

For example, this year Beatrice celebrated Orville Redenbacher's 80th birthday with a nationwide whistle stop tour featuring Orville himself. The celebration culminated July 13 at Disneyland where Redenbacher's is the official popcorn.

What other promotional activity is in the works? Well, the company isn't saying. Only that there is going to be on-going activity to keep the category popping.

—LEN LEWIS

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better than $1 billion in grocery stores.

Analgesics sales by themselves account for almost half the total packaged medications sales in grocery stores, representing 0.36 percent of total grocery store sales.

A year ago last February, a cyanide-laced Tylenol capsule killed 23-year-old Diane Elsroth in Yonkers, N.Y. Within weeks, grim reports spread across the nation and to other capsule medication products. Another bottle of Tylenol containing cyanide was found at a Woolworth store not two blocks from where the bottle that killed Elsroth was purchased; tainted Anacin-3 capsules (Anacin-3 is made by American Home Products' Whitehall Laboratories in New York); rat poison found in capsules of some of Philadelphia-based SmithKline Beckman's Contac, Dietac and Teldrin products; two deaths in a Seattle suburb linked to cyanide placed in New York based Bristol-Myers's Extra-Strength Excedrin capsules.

At stake was Johnson & Johnson's $525 million Tylenol business, a business already saved once after seven deaths from cyanide-tainted Tylenol in Chicago in 1982. The Chicago crimes remain unsolved. Executives at Johnson & Johnson, based in New Brunswick, N.J., concluded that although methods to seal plastic capsules—which at the time represented 30 percent of Tylenol sales—were improving dramatically, there would never be a tamper-proof capsule package. The company decided, at a reported cost of $140 million, to abandon its over-the-counter capsule products.

Tylenol sales dropped to about 65 percent of pre-tampering levels, but company officials credit its caplets with keeping the decline from reaching the 20 percent level to which sales fell after the 1982 product tamperings. New television commercials were produced and Johnson & Johnson started a huge coupon promotion to revive sales and moved vigorously to keep the allegiance of retailers.

Caplets preferred

"It seems that in the extra strength line of Tylenol, the preferred dosage form is caplets, and in regular strength, the preferred dosage form is tablets," says Elsie Behmer, spokesman for Johnson & Johnson's McNeil Consumer Products subsidiary. "Overall, for all the lines, tablets and caplets perform about the same," she adds, which means that, since February 1986, Tylenol caplets have jumped from 15 percent to 50 percent of the Tylenol business.

"Tylenol came roaring back because Johnson & Johnson put together a first-rate remarketing program," says Louis Katopodis, nonfoods buyer for Fiesta Mart (Houston). "The whole line of Tylenol products is moving well. Caplets in particular are skyrocketing. I don't see anyone having any hesitation whatever. There's a lot of confidence in the product, and people here are especially brand loyal."

McNeil's Behmer says that as of April of this year, Tylenol has held a 31 percent dollar share of the better than $2 billion market in pain relievers, compared with 33 percent before 1986's poisonings. "Our share reflects a faster rate of recovery than from the 1982 incidents of tampering," Behmer says.

Retailers, for the most part, agree with Katopodis's assessment. "Tylenol's seeing no lack of sales," says Eric Kupferberg, vice president of nonfoods for Pueblo's Xtra Super Food Centers (Pompano Beach, Fla). "Caplets absolutely have almost fully taken back what J&J lost by pulling the capsules. And what's more, you've got everybody and his brother going into developing caplet products. We've got very few capsule products on our shelves anymore."

Traditional marketing war

Having weathered the tampering incidents of 1986, Tylenol is in the midst of a more traditional marketing battle. A generation of analgesics made of ibuprofen, which until 1984 had been available only by prescription, has joined asprin and acetaminophen products. Tylenol is an acetaminophen.

"The tamperings did hurt Tylenol briefly, and then they bounced back strong, and we've seen no public resistance to Tylenol. But other things are happening," says William Herman, executive vice president of Herman Inc., service merchandisers for 1,300 grocery stores and 133 drug stores in New England and eastern New York. "The ibuprofen drugs are becoming very fast-growing products and the pace has gotten even stronger this year."

Ibuprofen was the first new entrant in the non-prescription pain reliever market in nearly 30 years. Before the Food and Drug Administration approved its sale over the counter, it was available by prescription in the United States since 1974, under the brand names Motrin and Rufen. It had been the fifth largest selling prescription drug, generating about $250 million in annual sales.

Like the other analgesics, ibuprofen is used to relieve the pain of headaches, menstrual cramps, hangovers, fever and joint inflammation. Like aspirin, ibuprofen can reduce tissue swelling; acetaminophen products are not anti-inflammatory. While aspirin brands have so far been the major losers to ibuprofen, some retailers, looking at industry analysts's projections that ibuprofens would command 35 percent of the analgesics market by 1990, think that acetaminophen brands, including Tylenol, are vulnerable. Elaine Smith, a spokesman for the Proprietary Association, which tracks such growth, reports that ibuprofens accounted for about 15 percent of analgesics sales in 1986.

Key products

Promoting general pain relief among ibuprofens are three key products: Advil, made by American Home Products's Whitehall Laboratories; Nuprin, from Bristol-Myers and, as of September 1986, Medipren, introduced by Johnson & Johnson's McNeil Consumer division. Pain-relievers are one of the most competitive of consumer products. Industry experts say that success in establishing a brand requires a huge advertising commitment. Nowhere is this more evident than in the ibuprofen fray where, according to sources in the advertising industry, annual budgets for Advil, Nuprin and Medipren have soared to near the $40 million level. The spending takes place to make what is the same look different. Apart from "product aesthetics," Food and Drug Administration (FDA) rules require that all ibuprofen products be within a 200-milligram dose and use no additional ingredients.

A headstart

The undisputed leader in ibuprofens is Advil, which had the benefit of a few months' headstart over Nuprin and an almost two year jump on Medipren. Whitehall's largest brand,

PROPRIETARY REMEDIES

Analgesics sales by themselves account for almost half the total packaged medications sales in grocery stores.

PROPRIETARY REMEDIES

Now after weathering a tampering scare, Tylenol faces a more traditional marketing battle—to hold sales against ibuprofen-based analgesics.

American Home Products's Carole Emerling says Advil now "has approximately a 10 percent share of the analgesics market," gaining a percentage point in the past six months. This gain, according to American Home Products, occurred despite entry of additional competition in September. Whitehall, says Emerling, is moving aggressively to ensure the brand's continuing success. During 1986, Advil's franchise was extended with the introduction of new caplets. The division, she says, is complementing substantial consumer marketing of Advil and other medications with more extensive promotion to medical and health care professionals.

"It was Advil that did a good job of it right out of the gate," says Toby Notenboon, president, general manager and health and beauty aids (HBA) buyer for Paul Jackson Wholesale, service merchandisers for 800 grocery stores and six drug store outlets in Oregon and California. "Bristol-Myers botched the whole approach with Nuprin, pricing its product higher, not supporting it, asking us to sell it for the same price as Advil. Advil handled the pricing, the marketing and the agressive product support professionally."

Xtra's Kupferberg says, "Nuprin did a poor introductory job—now they're a day late and a dollar short, you might say. We were actually thinking we might drop Nuprin for a while."

A spokesman for Bristol-Myers refused comment on marketing strategy or specific sales data, but said sales are building from year to year, and the company is "pleased with Nuprin's performance."

Medipren got off to a slow start, retailers say, but it is starting to pick up velocity. "McNeil is not accustomed to being a new kid on the block, and they're trying to develop the right message," says Kupferberg. "Advil can go in with its commercials and slam Tylenol, but Medipren can't do that, because they'd be hurting themselves. They'll catch on though."

Specialty market

Other comers to the ibuprofen arena have taken a specific niche to focus on, despite a product that is identical in active ingredients to the general relief brands.

"We were too late to come in as a general pain relief player in ibuprofen," says Norma Walter, a spokesman for Sterling Drug, which developed Midol 200 as an ibuprofen entrant. "We introduced it with an aim toward a specialty market, and targeted packaging to that market."

Although aspirin has appeared to be most vulnerable to the encroachments of ibuprofens, the remedy that has been around longest can also look forward to a growth surge as a result of recent physicians' recommendations of daily aspirin dosages for their heart patients. Bayer is up significantly in sales, reports Sterling's Walter, a result, she says, of the "Wonder drug" and "Heart Attack" advertising campaigns running on national television. At press time, according to Bristol-Myers' spokesman, Bufferin, in a co-sponsorship arrangement with the American Heart Association, was readying 60-second public information spots to run on national cable television networks to educate viewers about heart attack.

At the same time, SmithKline Beckman was putting final touches on a television comparison advertising campaign, citing a physicians' survey recommending Ecotrin, a coated aspirin, over Bayer.

"In our market, the number one analgesic is aspirin," says Paul Jackson's Notenboon. "A lot of people just want their old-time remedies, and they know what they're getting." Herman Inc.'s Bill Herman, listing in order of velocity performance, Bayer, Bufferin, Anacin and Excedrin, says, "Bayer is still the star, and I don't think anyone will ever eclipse that star."

Cross-over use

In the $350 million food store cold capsules and tablets business, the latest catch-phrase is "cross-over use." SmithKline Beckman's spokesman Jeremy Heymsfeld reports that the company reintroduced Contac capsules for the 1986-87 cold season with a number of added safety features, including clear plastic wrapping, blister packing, and consumer instructions. Contac was ranked number one among cold medicines, according to Neilsen food store data. Three new liquid Contac products are being introduced for the coming cold season: a cough formula and chest decongestant, a cough and sore throat remedy and a nighttime liquid to vie with Nyquil.

"With Contac, which leads in our market in cold remedies, you've seen for a long time a cross-over usage among allergy sufferers," says Notenboon. "Consumers are smart, and they're looking at the ingredients on the labeling and they're seeing that the ingredients are the same in a lot of the formulations. We have good sales year-round in Contac, Sudafed, Actifed, Nyquil, and that means people must be taking those things for allergies. Likewise, I'm sure Benadryl, which has started to do quite well, is going to be used during cold season."

Lori Feehan, senior product manager for Benadryl at Warner Lambert (Morris Plains, N.J.), notes, "a lot of the companies are treading into the allergy relief area of the business, and there is a certain amount of appropriate dual usage, for colds and for allergies."

Benadryl, she reports, now commands almost 40 percent of the share of the allergy relief market, which as a category is headed for growth of 13 percent this year. Benadryl, she says, is moving toward sales growth of 15 percent for 1987. "We've got a tiger by the tail, and we're doing the best we can to explore that discrete cross-over customer who will try a product based on looking at ingredients and considering symptoms."

Fiesta Mart's Louis Katopodis says, "We may be the allergy capital of the world. We're heavy into fighting allergies down here, and I know that there is a lot of cross-over usage among the cold and allergy products."

Easily the most rapidly growing segment of the proprietary remedies category in grocery stores is the relatively small $54 million contact lens care products category, and growth is forecast to continue at a dizzying rate. "Advances in soft lens solutions sales for 1986 were 22 percent, and we're targeting 16 to 17 percent growth each year for the next three years," says Joe Doran, vice president-sales for Bausch & Lomb (Rochester, N.Y.).

"In the food trade, we're now doing about 25 percent of our business," he says, "and we're expecting that to grow to about 35 or 40 percent. The food trade, is going to be a more and more significant place for us."

—JOHN MC MANUS

CES OVERVIEW

Big winners in sales include stores with newer or expanded GM departments.

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ago. Even prescription drug sales dropped from a 33.1 percent increase in 1985 to a more moderate 12.9 percent sales gain in 1986. This formerly newer hot category, HBA, has begun to reach the level of a more mature category and will not likely have very high growth levels each year.

As the GM department becomes more and more diversified, we find that the big winners are those departments that are newer, or that have become expanded in recent years. For instance, the largest gainers within the GM category are hardware (16.8 percent), electrical appliances (20.7 percent), toys (12.7 percent), and greeting cards (12.3 percent). GM categories that had lower sales gains tend to be those that have been established for a longer period of time such as stationery (1.7 percent), pet accessories (3.1 percent), and auto supplies (-0.2 percent).

A sure winner

Product categories are one thing, but a service department within a product category or a department is an almost sure winner. For the GM department, the lucky product category is the audio and video category. The rental of video cassettes, which essentially involves personal service, rose 22.3 percent, bringing with it an increase in sales of blank video cassettes of 28.3 percent. The popularity of this service was the major impetus for an increase of 10.6 percent in the whole audio and video category.

As in previous years, service departments in supermarkets showed comparably large gains in sales during 1986. In the perishables department instore bakeries and service delis both enjoyed substantial gains (6.3 percent and 13.5 percent, respectively), while in the HBA section the instore pharmacy's sales rose 12.9 percent, as reflected in the sale of prescription drugs. Service continues to be a key word for the consumer and the store planner.

The trend of nonfood sales increasing at a higher rate than food sales in recent years continued to run smack into the reality that a grocery store is still first and foremost a food store. Food sales still account for 75.7 percent of total grocery sales (over $211.5 billion). This is down from the 76.7 percent share that food had in 1985.

Food's share of grocery sales has been declining about one percent a year for several years. The feeling has been that this trend will continue as supermarkets get more involved with nonfoods, especially GM and nonfoods service departments.

If food is still king, then perishables are the power behind the throne. Perishables' sales were $130.9 billion last year, and accounted for almost 47 percent of all grocery sales. There were some interesting happenings within the perishables section in 1986.

Most of the activity revolved around two trends: eating lighter and fresher. Sales of refrigerated juices have steadily increased (up 6.9 percent), while sales of frozen juices have decreased, down -13.9 percent, with frozen orange juice alone off -15.6 percent. Sales of fresh vegtables (up 1.7 percent) rose more than those of frozen (0.2 percent) and canned (-1.4 percent). Fresh baked goods from the instore bakery increased more than packaged, while service deli sales rose faster than those of frozen prepared foods.

Lighter, but less so

On the lighter side, America is still moving towards eating lighter, more nutritious foods, but not to the extreme we saw last year. The perishables department shows this shifting trend, for instance, sales of fresh seafood are way up (15.3 percent), sales of poultry are up, but less than last year (4.6 percent compared to 13.6 percent). Pork, lamb and veal sales all continued to fall, while beef sales have rebounded, increasing 0.8 percent. Whether the upturn in beef sales is due to the resurfacing of an unshakeable bond between beef and the American appetite, or because the beef packers have come up with a better promotional campaign than the pork packers is a matter for conjecture.

The dairy case also shows the backing down from the nutritional eating trend. Butter sales have increased slightly (1.2 percent), while those of margarine have declined (-3.9 percent), this could be due to a decline in artificial foods. Sales of fresh vegtables and fruits have also continued to increase as people turn more to salads in their diets.

Dry grocery foods also reflect these trends. The beverage categories are particularily telling. The consumption of beer is still increasing, with imported beer sales increasing three times faster than domestic beer sales. Hard liquor and wine sales continue to slide, as drinkers opt for lighter alcohol coolers (sales up 31.6).

One trend that has still maintained its grip on grocery shopping is the search for convenience. Last year saw no slowdown in the proliferation of products geared for convenience, nor in consumer interest in them. There may have been a shift from frozen convenience foods to fresh, as from frozen entrees, which still increased sales but at a slower rate, to freshly prepared entrees. In either case, the microwave oven continues to be the force fueling the increase in convenience foods.

General store or mini-mall

Two trends in merchandising are pulling at supermarkets. One the one hand, we have the growth of service departments, such as bakeries, delis, fish, and meat that offer the consumer customized service, and fresh products. And we have the small specialty food shop within the supermarket.

One question that retailers are facing is whether these two previously distinct forms of merchandising can coexist under one roof. In essence, the question is can you cater to Ma and Pa Kettle, and to the valley girls at the same time? The answer according to the data in this report seems to be yes, at least over the scope of industry-wide data. Retailers are finding that their food service departments do work in larger, more active stores, providing they still offer fast, high-level service, and convenience.

The many facets of both consumer and grocer behavior are the true stories behind the pages of numbers that make up the Consumer Expenditures Study. The products and the departments are increasing or decreasing as a reflection of the needs of consumers, and the wants of consumers, and the abilities of grocers to respond to those consumer needs. The sheer size of the industry works in the retailer's favor, in that there is constant interaction between the retailer and the consumer, and constant data feedback on sales and product movement that help the retailer keep abreast of changes in consumer needs as reflected in their spending patterns.

—DAVID LITWAK

CANDY

The success of Cadbury's Creme Egg has sparked a rush to package and promote products with seasonal tie-ins.

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"upscale adult" with its new boxed line of Creamy White candies. "It's a major new product introduction for us," says Larry Dicke, a spokesman for the company, which was acquired by Jacobs Suchard (Zurich, Switzerland) in January. "There are four products—peanuts, raisins, almonds and peanut clusters, covered with a white confection."

Nestle Foods Corp. (White Plains, N.Y.), which found California to be one of the strongest markets for its Alpine White bar, is testing gourmet chocolates in select areas there under the Henri Nestle label. But in an effort to broaden its national base for Alpine White, Nestle will be taking "a half-step back," trying to widen the scope of the bar's appeal.

Brand reinforcement

Unlike some other areas of the supermarket facing declining sales growth, candy manufacturers seem to be paying as much attention to existing brands as new products and line extensions. M&M/Mars, which reformulated its Mars Bar last year, launched its reformulated Milky Way bar last month after giving it an upgrade.

"The new Mars Bar has the almonds chopped up in the nougat, as opposed to on top of the bar, and we also put a layer of caramel between the chocolate and the nougat," M&M/Mars's Hill says. "Last year, before we changed the formulation, Mars Bar wasn't even in the top 30. Now it's 16th in candy bars."

Mars Bar, Hill says, was reformulated to appeal to more young adults and kids. Milky Way, which ranks seventh in candy bars, will try for a broader adult base. The new bar will taste a little less sugary, will get 20 percent bigger, and will be supported by an $8 million advertising campaign that starts this month, according to industry sources.

Hershey's, meanwhile, hasn't been sitting on its hands, as far as brand enhancement goes. Last year it boosted the weight, and added three cents to the wholesale price, of its Reese's Peanut Butter Cup, Milk Chocolate, Almond, and seven other items in its line. Its decision to beef up its Reese's line may be none too soon—M&M/Mars is expected to test P.B. Max, a peanut butter product, by early next year.

Leaf Inc. (Bannockburn, Ill.), a subsidiary of Helsinki, Finland-based Hutamaki OY, is also focusing much of its attention on existing brands, according to Don Hartman, vice president, sales. "We just introduced a pegboard line of branded items into the Midwest," he says. "We're selling Clark and Whoppers and Milk Duds and Zagnut, and they're all priced the same, in the 89 to 99 cent range."

Nestle, which upgraded the quality of Oh! Henry, Chunky, Goobers, Raisinets, 100 Grand and other brands acquired from Ward Johnson in 1984 and 1985, has two basic goals: reacquaint Northeast consumers with the upgraded brands, and introduce the new brands to more people in the Western states. By including the Nestle name on all the items, the company is hoping to melt the usual consumer resistance to unfamiliar brands.

Branded seasonal items

After decades of sticking with 52-week-a year items, Hershey and M&M/Mars, the undisputed market share leaders in the candy section, are discovering that Santa Claus, Cupid and the Easter Bunny can be good for the bottom line.

Cadbury USA (Stamford, Conn.) was the first company to tap the potential of a nationally advertised seasonal product in 1980, when Saatchi & Saatchi's Clucking Bunny launched the Cadbury Creme Egg. Cadbury Mini Eggs followed, in 1983, and rolled national for the 1985 Easter season. The clucking bunny was heard, consumers responded, and both products enjoyed remarkable success, maintaining double-digit growth rates for years.

But Cadbury's bunny also must have awakened the industry's giants. After introducing its Hershey Kisses in nine-count single serving packs in October 1985, Hershey started wrapping them in red, green and silver for Christmas in 1985. This year, the company had red and silver Kisses for Valentine's Day and pastel foil for Easter. Reese's Miniature Cups also came wrapped in red and green for Christmas, and Hershey's brands appear prominently on all seasonal packs.

Like Hershey, M&M/Mars started decking the halls with seasonal product in 1985, with its red and green candy pieces marketed under the Holidays brand. Pastel-colored Holidays were introduced, on a limited scale, in time for Easter 1986, and the company expanded both lines this past year.

"People in the trade have asked us for red and green M&Ms for the 24 years I've been at this company," Hill says. "So we finally did it, and the reception from customers has been outstanding. We sold out both Christmases and Easters early, and we could have sold a great deal more. In fact, this year, we increased the volume a terrific amount over what we did last year, and we still sold out."

Right now, M&M/Mars is gearing up for its biggest seasonal launch yet. "Outside of the fact that we are number one during the Halloween season with our snack bars, this is really our first time to make a major launch of a seasonal pack at volume levels."

New packs include gift canisters, variety multipacks with M&M/Mars's full line of chocolate items plus Starburst Fruit Chews and Skittles, and a Christmas stocking stuffed with the chocolate bars—Snickers, Milky Way, Three Musketeers, Mars Bar, Twix Peanut Butter, Twix Caramel and Plain and Peanut M&Ms.

A seasonal squeeze

As M&M/Mars and Hershey brands thunder into the seasonal market with heavy promotional backing, there's a natural tendency for retailers to gravitate in their direction, says Brian Falck, vice president of marketing for Cadbury USA. One factor, he says, is the additional safeguard against getting hung with a seasonal surplus.

"When you're marketing a year-round, established brand with seasonal markings, M&Ms with a special twist or an Easter wrapper on a Snickers bar, you're dealing with dated merchandise," Falck says. "But it's still recognized by the consumer as an established, quality brand, and it's easier to sell the product through after the holiday."

Falck doesn't see an immediate threat to the candy cane or the chocolate rabbit industry, but he indicates that the benefits branded seasonal products provide to both manufacturer and retailer are substantial enough to take a sizable slice of the seasonal pie. The big question is whether the industry leaders make the pie large enough with their promotional activity to offset the smaller manufacturers' loss of share.

—FRANK HAMMEL

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delectable morsel of a salad called mesclun. This is a salad of baby flowers, tender young greens and herbs, and it's all the rage at chi-chi restaurants on the East and West coasts. It's a surprise to see it at a supermarket, since this fashionable rabbit food isn't cheap—it can cost about $6 for a smallish basket—but it sells well at Larry's.

Nancy Lazaro, director of food services for Larry's Markets, says the salad caught on gradually. "Our farm liaison started growing the ingredients for this salad on his little farm in north Seattle about five years ago. One by one, Seattle's cutting-edge restaurateurs started serving it, and it eventually caught on here."

Not every supermarket will have the wherewithal or the demand to stock something like mesclun, but more retailers and shoppers are willing to try out something unusual. The exotic vegetables that began appearing with some profusion at the nation's supermarkets several years ago, items such as jicama, Chinese eggplant, cherimoya, starfruit, kohlrabi and bok choy, are not so strange nowadays. Most well stocked supermarkets carry at least some of these. The exotic hasn't exactly become the everyday, but these different fruits and vegetables are not part of a fad, it seems.

As the nation continues to broaden the scope and sophistication of its palate, produce is likely to remain in the forefront of a supermarket's image, and a sizable percentage of its sales.

The challenge for retailers now, however, is to keep those sales strong. "My feeling is that produce as the number one draw is going to be challenged, perhaps by freshly prepared foods at the supermarket," says Dr. Thomas Pierson, a professor in the Department of Agricultural Economics at Michigan State University (Lansing, Mich.).

"Produce has to grow," he says. "One of the issues in produce is that it has come from a stepchild department to the leading one in the supermarket. We've gone to ultra new designs. We've gone from 65 items a few years ago to over 250 now. The next question is how do you keep consumer attention focused on produce?"

In addition to capitalizing on convenience, which Pierson suggests, such as small microwavable portions, such as those offered by Dierberg's (St. Louis), or cut-up portions of vegetables, stores should consider emphasizing service more at the produce section.

"Some of the most successful departments in the store today are service departments," he says. "With all the front-end weighing of produce now, you lose something. But personal service often is an assurance of quality. Service encourages experimentation with new kinds of produce by customers. For a lot of customers, service heightens their shopping enjoyment. A service person can answer questions—and people have a lot of questions.

"Lund's in Minneapolis has service islands where produce clerks do their traditional activities, such as packaging products, etc., from that island. I talked to a clerk at that island, and he told me that customers love it. They want to know about produce. They have a lot of questions. They're interested. There's so much more that retailers should do now, to keep people interested," Pierson says, "that's the challenge."

—BOB HUGHES

PRODUCE

The exotic vegetables that began to appear at the nation's supermarkets several years ago are now more familiar to many American shoppers.

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FIESTA MART

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unlike much of the city, no one ethnic culture dominated. Even today, some 82 percent of the people within a three-mile radius are white (including a nine percent subset of Hispanics), four percent are black, 10 percent are Asian and four percent are "other."

"At that time, homes were being sold faster than they were being built, and the area was starved for good retail. Randall's was here, but the center it is in was only half its present size. So we built another in 1983, and it went from zero percent leased to 100 percent leased in under six months. But, simultaneously, home building stopped as the economy started to turn down, and as the office building market got saturated, people in that business got into the shopping center business. There was a boom in space, the Highway 6 area exploded, and all of a sudden there were numerous retail centers in the Highway 6 region, most of which were poorly leased."

Cheney suggests that Fiesta Mart's success at its new location will depend on its ability to attract a wide variety of people, which seems to be happening. One source says that break-even for Fiesta Mart is $600,000 weekly, and the store appears to be doing close to $1 million—80 percent of what it did opening week. It's getting about 5,000 customers a day.

Outside the front of the store is a space where vendors sell earrings and other outdoor-flea market items. Inside, a customer can either enter the produce section to the right, or shop at one of the nonfoods boutiques, such as a gift bazaar, which sells watches and small electronics, or the video and film counter. There's also a bank, an ice cream stand and a small promotional space where such things as customized t-shirts are sold.

The store was designed by Herb Ross & Co. (Bronx, N.Y.), which was brought in on the project late in the proceedings. "We came up with a suggestion for an easier shopping pattern, with angled gondolas, for instance," Ross says, "and tried to provide warmer lighting."

The nonfoods area within the main part of the store uses angled shelves, as can be seen in the floor plan on page 37. This enables shoppers to browse among nonfoods without losing sight of the grocery section. The nonfoods section features a lot of housewares, such as kithen supplies, as well as a good selection of Latin-American and country and western recordings.

The service departments are around the perimeter of the store. The Fajitas Bar, which is very busy at lunchtime, is just beyond produce. (See "From Fajitas to Sushi, Fiesta Mart's Fare has an Ethnic Flair," INSTORE BUSINESS, August 1987, p. 60). Next to the Sushi Bar is a seafood alcove, which has been extremely successful, Don Bonham says. "I was keeping my fingers crossed on that one, because I had to fight to get it in," he says. "Our seafood and meat people didn't want it at all, they thought the odor would drive people away, but it's worked out really well."

BEACH

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obliging. "If it's a true resort store, you can say, 'No, this is what I have,' and you can sell it. I try not to make this a resort store. I try to carry the same thing all year round; when the summer hits I don't raise my prices. There are a few guys around that do." However, Borges says, if things are right sales should double during the summer months, giving the store enough of a cushion to survive the leaner winter months. But that has not been happening at Pier IGA.

Doesn't play games

Even with weekly losses, Borges does his best to remain competitive on price. "I've had double coupons from day one. I take care of the natives as best as possible. But, I didn't get into a price war. I would never, ever do that. I didn't all of a sudden, when I was selling something three for a dollar, start selling it five for a dollar. I stuck with my philosophy of three for a dollar, and I kept the customers who wanted to stay. And there are some customers coming back now because they're just a number at Stop & Shop."

He's also tried to increase the range of his offerings to customers, installing video rentals at 99 cents a night (everyone else is at $2.50 per night), putting in a fish department, working to make his deli more appealing. There are limits, but Borges seems at peace with them. "We planned a renovation, but never went through with it, because of Stop and Shop. I couldn't afford to spend the money. But, if we can get some money together, in the fall we'll try to do it again."

Fall 1987 is a very important time for Bob Borges. It is a time when success will be evaluated, or defeat will be acknowledged. "This year, I'll have three Septembers in and that'll tell me the picture. I teeter-tottered all winter, after Stop & Shop opened. I had one week where I was in the black, the rest of the time it was all red. So I've got a lot of making up to do this summer. That's why I say, in September the writing will be on the wall. Whether it's good or bad, who knows? I'm not going to totally concern myself until September. If I'm still battling in September, I'm going to have to come up with something. What, I have no idea."

Borges has gotten somewhat grayer in the last year, but he seems not to have lost his sense of humor. Part of his sense of perspective, he says, comes from his wife, who spends three days a week working at the store. "She keeps me going, she really does. Otherwise, I'd be on the farm."

"I don't want to depress you," he says, "not by any means. If anybody can make it, I can, because I work hard, I'm here every day between 5:30 and 6:00 A.M." And Bob Borges grins, greets a customer by name, bags a few groceries and keeps morale up. Including his own.

Of course, even when these retailers are battling with the competition, they can also be struggling with themselves. "A lot of growth, that can cause a problem," says Peter Davenport. "As a town resident, I go look at all this growth, and I don't like it. I was driving the other day, and I noticed there was a lot of traffic on this road. What are all these people doing here?

"And I get to my store and I see all these blinking automobile lights and they turn in, I think this is a wonderful town, keep building." Peter Davenport smiles broadly. "I have a definite conflict with myself here." But he's willing to suffer through it.

HEALTH & BEAUTY AIDS

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share. Sales of prescriptions through all outlets increased 7 percent in 1986 and 8 percent the year before.

The rapid growth in prescription sales boosted growth in the overall category of HBA and prescriptions to 6.0 percent in grocery stores. HBA without prescriptions grew by a solid 4.9 percent in grocery stores.

Total sales by grocery stores of health and beauty aids and prescriptions were $12.67 billion. Sales through all outlets were $51.40 billion. Just as prescription sales help the growth numbers for grocery stores, they hurt the share numbers. Groceries sell 36 percent of health and beauty aids, but only 9 percent of prescriptions, giving grocers a 25 percent share of the overall category, which accounts for 4.53 percent of all grocery store sales, up from 4.48 percent in 1985.

One area that may be receiving a particular boost from the instore pharmacy is family planning products. Although this is a small category, the items tend to be highly profitable. Sales grew by 20.7 percent in grocery stores in 1986, totaling $44.6 million, or 10 percent of the $452 million national market.

Sales of condoms increased 16.1 percent in groceries. (They increased 20 percent nationally to $150 million, so the 13 percent market share that grocers have is actually declining.)

Cosmetics sales put on a good face, experiencing 6.7 percent growth in supermarkets, better than the 4.4 percent growth shown through all outlets. Supermarkets captured only 13 percent of the $4.59 billion in national sales in this category, but they're gaining.

Joanne Gage, a spokesman for Price Chopper Supermarkets, whose latest store in DeWitt N.Y. includes both an instore pharmacy and a large HBA department complete with a service cosmetics counter, agrees, "Sales are definitely up. Fragrances are taking off, and also cosmetics. I can't think of any products that are doing badly; if there were, they'd be discontinued."

The year's big losers were metered calorie meals, down 10.1 percent in 1986 after a 27.6 decline in 1985; men's hair spray lacked staying power and was down 8.3 percent, just about wiping out the previous year's increase; color shampoo, down 13.0 percent after a decline of 16.3 percent in the previous year; and baby pants seemed to be bottoming out down 11.0 percent in 1986 and 15.6 percent in 1985.

—WILLIAM K. WEST